

**THE OFFICE OF THE GOVERNOR**

**ANNUAL FINANCIAL REPORT**

**For The Year Ended August 31, 2011  
(UNAUDITED)**

**Rick Perry  
Governor of Texas**





OFFICE OF THE GOVERNOR

RICK PERRY  
GOVERNOR

November 20, 2011

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
John O'Brien, 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, 2011, 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 (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Suzy Whittenton, CPA, Chief Financial Officer, at (512) 463-6310. Brenda Dille, Accounting Manager, may be contacted at (512) 936-0157 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey S. Boyd".

Jeffrey S. Boyd  
Chief of Staff

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Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds  
For the Fiscal Year Ended August 31, 2011

|   | Governmental Fund Types        |   |   | Governmental Funds<br>Total |
|---|--------------------------------|---|---|-----------------------------|
|   | General Funds<br>(Exhibit A-1) | Special Revenue<br>Funds<br>(Exhibit B-1 300) | Debt Service Funds<br>(Exhibit C-1 300) |                             |
| <b>ASSETS</b>                                   |                                |   |   |                             |
| Current Assets:                                 |                                |   |   |                             |
| Cash and Cash Equivalents                       |                                |   |   |                             |
| Cash In Bank (Note 3)                           | \$ -                           | \$ -  | \$ -                                    | \$ -                        |
| Cash in State Treasury                          | 493,464,737.77                 | 34,220,147.57                                 | 885.86                                  | 527,685,771.20              |
| Cash Equivalents (Note 3)                       |                                | 566,949.71                                    |   | 566,949.71                  |
| Restricted Cash and Cash Equivalents            |                                |   |   |                             |
| Cash in State Treasury                          |                                | 4,725,000.00                                  |   | 4,725,000.00                |
| Cash In Bank (Note 3)                           |                                | 355,996.96                                    |   | 355,996.96                  |
| Legislative Appropriations                      | 109,950,532.38                 |   |   | 109,950,532.38              |
| Receivables from:                               |                                |   |   |                             |
| Federal   | 2,330,525.24                   |   |   | 2,330,525.24                |
| Interest and Dividends                          | 289,955.87                     | 43,707.97                                     | 0.31                                    | 333,664.15                  |
| Accounts Receivable                             | 1,547.83                       | 25,000.00                                     |   | 26,547.83                   |
| Interfund Receivables (Note 12)                 | 561,130.82                     |   |   | 561,130.82                  |
| Due From Other Agencies                         | 7,040,031.97                   |   |   | 7,040,031.97                |
| Prepaid Items                                   |                                | 4,525.00                                      |   | 4,525.00                    |
| Loans and Contracts                             | 4,965,000.00                   | 1,208,841.89                                  |   | 6,173,841.89                |
| Total Current Assets                            | <u>618,603,461.88</u>          | <u>41,150,169.10</u>                          | <u>886.17</u>                           | <u>659,754,517.15</u>       |
| Non-Current Assets:                             |                                |   |   |                             |
| Loans and Contracts                             | 387,077,196.00                 | 6,616,904.27                                  |   | 393,694,100.27              |
| Investments (Note 3)                            | 169,398,260.05                 |   |   | 169,398,260.05              |
| Capital Assets (Note 2):                        |                                |   |   |                             |
| Depreciable:                                    |                                |   |   |                             |
| Furniture and Equipment                         |                                |   |   |                             |
| Less Accumulated Depreciation                   |                                |   |   |                             |
| Total Non-Current Assets                        | <u>556,475,456.05</u>          | <u>6,616,904.27</u>                           | <u>-</u>                                | <u>563,092,360.32</u>       |
| Total Assets                                    | <u>\$ 1,175,078,917.93</u>     | <u>\$ 47,767,073.37</u>                       | <u>\$ 886.17</u>                        | <u>\$ 1,222,846,877.47</u>  |
| <b>LIABILITIES AND FUND BALANCES</b>            |                                |   |   |                             |
| Liabilities                                     |                                |   |   |                             |
| Current Liabilities:                            |                                |   |   |                             |
| Payables from:                                  |                                |   |   |                             |
| Accounts  | \$ 7,878,776.66                | \$ 15,646.20                                  | \$ -                                    | \$ 7,894,422.86             |
| Payroll   | 1,680,035.47                   |   |   | 1,680,035.47                |
| Interfund Payable (Note 12)                     | 561,129.32                     |   |   | 561,129.32                  |
| Due To Other Agencies                           | 4,117,021.05                   |   |   | 4,117,021.05                |
| Deferred Revenue                                | 36,108,984.21                  |   |   | 36,108,984.21               |
| General Obligation Bonds Payable (Note 5)       |                                |   |   |                             |
| Employees' Compensable Leave (Note 5)           |                                |   |   |                             |
| Total Current Liabilities                       | <u>50,345,946.71</u>           | <u>15,646.20</u>                              | <u>-</u>                                | <u>50,361,592.91</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>50,345,946.71</u>           | <u>15,646.20</u>                              | <u>-</u>                                | <u>50,361,592.91</u>        |
| <b>Fund Financial Statement</b>                 |                                |   |   |                             |
| Fund Balances (Deficits):                       |                                |   |   |                             |
| Nonspendable                                    |                                | 4,525.00                                      |   | 4,525.00                    |
| Restricted                                      | 76,453,294.04                  | 46,799,226.69                                 | 886.17                                  | 123,253,406.90              |
| Committed                                       | 939,944,563.21                 | 947,675.48                                    |   | 940,892,238.69              |
| Assigned  | 108,335,113.97                 |   |   | 108,335,113.97              |
| Unassigned                                      |                                |   |   |                             |
| Total Fund Balances                             | <u>1,124,732,971.22</u>        | <u>47,751,427.17</u>                          | <u>886.17</u>                           | <u>1,172,485,284.56</u>     |
| Total Liabilities and Fund Balances             | <u>\$ 1,175,078,917.93</u>     | <u>\$ 47,767,073.37</u>                       | <u>\$ 886.17</u>                        | <u>\$ 1,222,846,877.47</u>  |
| Government-Wide Statement of Net Assets         |                                |   |   |                             |
| Net Assets                                      |                                |   |   |                             |
| Invested in Capital Assets, net of Related Debt |                                |   |   |                             |
| Unrestricted                                    |                                |   |   |                             |
| Total Net Assets                                |                                |   |   |                             |

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

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| Capital Assets<br>Adjustments | Long-Term<br>Liabilities<br>Adjustments | Statement of<br>Net Assets |
|-------------------------------|---|----------------------------|
| \$ -                          | \$ -                                    | \$ -                       |
|                               |   | 527,685,771.20             |
|                               |   | 566,949.71                 |
|                               |   | 4,725,000.00               |
|                               |   | 355,996.96                 |
|                               |   | 109,950,532.38             |
|                               |   | 2,330,525.24               |
|                               |   | 333,664.15                 |
|                               |   | 26,547.83                  |
|                               |   | 561,130.82                 |
|                               |   | 7,040,031.97               |
|                               |   | 4,525.00                   |
|                               |   | 6,173,841.89               |
| <u>-</u>                      | <u>-</u>                                | <u>659,754,517.15</u>      |
|                               |   | 393,694,100.27             |
|                               |   | 169,398,260.05             |
| 546,206.52                    |   | 546,206.52                 |
| (443,490.61)                  |   | (443,490.61)               |
| <u>102,715.91</u>             | <u>-</u>                                | <u>563,195,076.23</u>      |
| <u>\$ 102,715.91</u>          | <u>\$ -</u>                             | <u>\$ 1,222,949,593.38</u> |
| \$ -                          | \$ -                                    | \$ 7,894,422.86            |
|                               |   | 1,680,035.47               |
|                               |   | 561,129.32                 |
|                               |   | 4,117,021.05               |
|                               |   | 36,108,984.21              |
|                               | 465,000.00                              | 465,000.00                 |
|                               | 1,632,010.75                            | 1,632,010.75               |
| <u>-</u>                      | <u>2,097,010.75</u>                     | <u>52,458,603.66</u>       |
|                               | 93,680,000.00                           | 93,680,000.00              |
|                               | 685,830.02                              | 685,830.02                 |
| <u>-</u>                      | <u>94,365,830.02</u>                    | <u>94,365,830.02</u>       |
| <u>-</u>                      | <u>96,462,840.77</u>                    | <u>146,824,433.68</u>      |
|                               |   | 4,525.00                   |
|                               |   | 123,253,406.90             |
|                               |   | 940,892,238.69             |
|                               |   | 108,335,113.97             |
|                               |   | <u>1,172,485,284.56</u>    |
| 102,715.91                    |   | 102,715.91                 |
|                               | (96,462,840.77)                         | (96,462,840.77)            |
| <u>\$ 102,715.91</u>          | <u>\$ (96,462,840.77)</u>               | <u>\$ 1,076,125,159.70</u> |

## OFFICE OF THE GOVERNOR

Exhibit II - Combined Statement of Revenues Expenditures and Changes in  
Fund Balances/Statement of Activities - Governmental Funds  
For the Fiscal Year Ended August 31, 2011

|  | Governmental Fund Types        |   |  |
|--|--------------------------------|---|--|
|  | General Funds<br>(Exhibit A-2) | Special Revenue<br>Funds<br>(Exhibit B-2 300) | Debt Service Fund<br>(Exhibit C-2 300) |
| <b>REVENUE</b>                                   |                                |   |  |
| Legislative Appropriations                       |                                |   |  |
| Original Appropriations                          | \$ 13,336,177.00               | \$ -  | \$ -                                   |
| Additional Appropriations                        | 2,673,989.89                   |   |  |
| Federal Revenue                                  | 102,654,103.09                 |   |  |
| Federal Grant Pass-Through Revenue               | 8,116,169.80                   |   |  |
| License, Fees & Permits                          | 29,662,448.39                  | 78,100.00                                     |  |
| Interest and Other Investment Income             | 6,494,580.22                   | 633,395.94                                    | 999.55                                 |
| Net Increase (Decrease) in Fair Value            | 7,657,789.90                   |   |  |
| Sales of Goods and Services                      | 448,088.28                     |   |  |
| Other  | 5,141,467.48                   | 555,361.03                                    |  |
| Total Revenue                                    | <u>176,184,814.05</u>          | <u>1,266,856.97</u>                           | <u>999.55</u>                          |
| <b>EXPENDITURES</b>                              |                                |   |  |
| Salaries and Wages                               | 16,436,014.05                  | 69,727.53                                     |  |
| Payroll Related Costs                            | 3,703,140.95                   | 13,873.22                                     |  |
| Professional Fees and Services                   | 8,563,293.39                   | 124,546.96                                    |  |
| Travel   | 370,600.08                     | 2,168.10                                      |  |
| Materials and Supplies                           | 238,420.32                     | 7,694.93                                      |  |
| Communication and Utilities                      | 425,287.20                     | 1,217.13                                      |  |
| Repairs and Maintenance                          | 80,915.75                      |   |  |
| Rentals and Leases                               | 391,251.33                     | 30.00   |  |
| Printing and Reproduction                        | 31,425.96                      | 1,212.26                                      |  |
| Federal Grant Pass-Through Expenditures          | 14,415,440.81                  |   |  |
| State Grant Pass-Through Expenditures            | 13,942,934.50                  |   |  |
| Intergovernmental Payments                       | 74,175,224.66                  |   |  |
| Public Assistance Payments                       | 48,227,195.97                  | 2,170,896.78                                  |  |
| Other Expenditures                               | 41,637,754.97                  | 28,875.53                                     |  |
| Debt Service:                                    |                                |   |  |
| Principal  |                                |   | 450,000.00                             |
| Interest   |                                |   | 2,603,469.32                           |
| Capital Outlay                                   | 8,791.99                       |   |  |
| Depreciation Expense                             |                                |   |  |
| Total Expenditures/Expenses                      | <u>222,647,691.93</u>          | <u>2,420,242.44</u>                           | <u>3,053,469.32</u>                    |
| Excess (Deficiency) of Revenue over Expenditures | <u>(46,462,877.88)</u>         | <u>(1,153,385.47)</u>                         | <u>(3,052,469.77)</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                                |   |  |
| Transfer In                                      | 63,230,770.33                  |   | 3,053,469.46                           |
| Transfer Out                                     | (28,223,957.32)                | (333,406.82)                                  | (7,134.72)                             |
| Legislative Transfer In (Note 12)                | 11,826,734.32                  |   |  |
| Legislative Transfer Out (Note 12)               | (2,262,202.16)                 |   |  |
| Lapses   | (5,611,752.74)                 |   |  |
| Total Other Financing Sources (Uses)             | <u>38,959,592.43</u>           | <u>(333,406.82)</u>                           | <u>3,046,334.74</u>                    |
| <b>SPECIAL ITEMS</b>                             |                                |   |  |
| Proceeds from Sale of Park Land                  |                                |   |  |
| <b>EXTRAORDINARY ITEMS</b>                       |                                |   |  |
| Natural Disaster-Hurricane                       |                                |   |  |
| Net Change in Fund Balances/Net Assets           | <u>(7,503,285.45)</u>          | <u>(1,486,792.29)</u>                         | <u>(6,135.03)</u>                      |
| <b>Fund Financial Statement - Fund Balances</b>  |                                |   |  |
| Fund Balances, September 1, 2010                 | 999,707,137.99                 | 49,238,219.46                                 | 7,021.20                               |
| Restatements (Note 14)                           | 132,529,118.68                 |   |  |
| Fund Balances, September 1, 2010, as Restated    | <u>1,132,236,256.67</u>        | <u>49,238,219.46</u>                          | <u>7,021.20</u>                        |
| Appropriations Lapsed                            |                                |   |  |
| Fund Balances, August 31, 2011                   | <u>\$ 1,124,732,971.22</u>     | <u>\$ 47,751,427.17</u>                       | <u>\$ 886.17</u>                       |
| <b>Government-Wide Statement of Net Assets</b>   |                                |   |  |
| Net Assets/Net Change in Net Assets              |                                |   |  |
| Net Assets, September 1, 2010                    |                                |   |  |
| Restatements                                     |                                |   |  |
| Net Assets, September 1, 2010, as Restated       |                                |   |  |
| Net Assets, August 31, 2011                      |                                |   |  |

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

UNAUDITED

| Governmental<br>Funds Total | Capital Assets<br>Adjustments | Long -Term Liabilities<br>Adjustments | Statement of<br>Activities |
|-----------------------------|-------------------------------|---------------------------------------|----------------------------|
| \$ 13,336,177.00            | \$ -                          | \$ -                                  | \$ 13,336,177.00           |
| 2,673,989.89                |                               |                                       | 2,673,989.89               |
| 102,654,103.09              |                               |                                       | 102,654,103.09             |
| 8,116,169.80                |                               |                                       | 8,116,169.80               |
| 29,740,548.39               |                               |                                       | 29,740,548.39              |
| 7,128,975.71                |                               |                                       | 7,128,975.71               |
| 7,657,789.90                |                               |                                       | 7,657,789.90               |
| 448,088.28                  |                               |                                       | 448,088.28                 |
| 5,696,828.51                |                               |                                       | 5,696,828.51               |
| <u>177,452,670.57</u>       | <u>-</u>                      | <u>-</u>                              | <u>177,452,670.57</u>      |
| 16,505,741.58               |                               | 42,620.12                             | 16,548,361.70              |
| 3,717,014.17                |                               |                                       | 3,717,014.17               |
| 8,687,840.35                |                               |                                       | 8,687,840.35               |
| 372,768.18                  |                               |                                       | 372,768.18                 |
| 246,115.25                  |                               |                                       | 246,115.25                 |
| 426,504.33                  |                               |                                       | 426,504.33                 |
| 80,915.75                   |                               |                                       | 80,915.75                  |
| 391,281.33                  |                               |                                       | 391,281.33                 |
| 32,638.22                   |                               |                                       | 32,638.22                  |
| 14,415,440.81               |                               |                                       | 14,415,440.81              |
| 13,942,934.50               |                               |                                       | 13,942,934.50              |
| 74,175,224.66               |                               |                                       | 74,175,224.66              |
| 50,398,092.75               |                               |                                       | 50,398,092.75              |
| 41,666,630.50               |                               |                                       | 41,666,630.50              |
| 450,000.00                  |                               | (450,000.00)                          |                            |
| 2,603,469.32                |                               |                                       | 2,603,469.32               |
| 8,791.99                    | (8,791.99)                    |                                       |                            |
|                             | 31,830.87                     |                                       | 31,830.87                  |
| <u>228,121,403.69</u>       | <u>23,038.88</u>              | <u>(407,379.88)</u>                   | <u>227,737,062.69</u>      |
| <u>(50,668,733.12)</u>      | <u>(23,038.88)</u>            | <u>407,379.88</u>                     | <u>(50,284,392.12)</u>     |
| 66,284,239.79               |                               |                                       | 66,284,239.79              |
| (28,564,498.86)             |                               |                                       | (28,564,498.86)            |
| 11,826,734.32               |                               |                                       | 11,826,734.32              |
| (2,262,202.16)              |                               |                                       | (2,262,202.16)             |
| (5,611,752.74)              |                               |                                       | (5,611,752.74)             |
| <u>41,672,520.35</u>        | <u>-</u>                      | <u>-</u>                              | <u>41,672,520.35</u>       |
| <u>(8,996,212.77)</u>       |                               |                                       | <u>(8,611,871.77)</u>      |
| 1,048,952,378.65            |                               |                                       | 1,048,952,378.65           |
| 132,529,118.68              |                               |                                       | 132,529,118.68             |
| <u>1,181,481,497.33</u>     |                               |                                       | <u>1,181,481,497.33</u>    |
| <u>\$ 1,172,485,284.56</u>  |                               |                                       | <u>\$ 1,172,869,625.56</u> |
| \$ 1,172,485,284.56         | \$ (23,038.88)                | \$ 407,379.88                         | \$ 1,172,869,625.56        |
|                             | 125,754.79                    | (96,870,220.65)                       | (96,744,465.86)            |
| -                           | 125,754.79                    | (96,870,220.65)                       | (96,744,465.86)            |
| <u>\$ 1,172,485,284.56</u>  | <u>\$ 102,715.91</u>          | <u>\$ (96,462,840.77)</u>             | <u>\$ 1,076,125,159.70</u> |

UNAUDITED

OFFICE OF THE GOVERNOR  
 Exhibit III - Combined Statement of Net Assets - Proprietary Funds  
 For the Fiscal Year Ended August 31, 2011

|                                       | <u>Total Enterprise Funds</u><br>(Exhibit F-1 300) |
|---------------------------------------|--|
| <b>ASSETS</b>                         |  |
| Current Assets:                       |  |
| Cash and Cash Equivalents             |  |
| Cash in State Treasury                | \$ 9,129,430.33                                    |
| Receivables from:                     |  |
| Interest and Dividends                | 45,678.74  |
| Prepaid Items                         | 1,650.00   |
| Loans and Contracts                   | 1,663,673.84                                       |
| Total Current Assets                  | <u>10,840,432.91</u>                               |
| Non-Current Assets:                   |  |
| Restricted Cash and Cash Equivalents  |  |
| Cash In Bank (Note 3)                 | 207,418.17   |
| Loans and Contracts                   | 18,089,866.77                                      |
| Total Non-Current Assets              | <u>18,297,284.94</u>                               |
| Total Assets                          | <u>\$ 29,137,717.85</u>                            |
| <b>LIABILITIES</b>                    |  |
| Current Liabilities:                  |  |
| Payables from:                        |  |
| Accounts                              | \$ 105,217.67                                      |
| Payroll                               | 41,724.49  |
| Interfund Payable (Note 12)           | 1.50   |
| Notes and Loans Payable (Note 5)      | 20,000,000.00                                      |
| Employees' Compensable Leave (Note 5) | 28,249.65  |
| Total Current Liabilities             | <u>20,175,193.31</u>                               |
| Non-Current Liabilities               |  |
| Employees' Compensable Leave (Note 5) | 23,326.80  |
| Total Non-Current Liabilities         | <u>23,326.80</u>                                   |
| Total Liabilities                     | <u>20,198,520.11</u>                               |
| <b>Net Assets</b>                     |  |
| Restricted For                        |  |
| Other                                 | 1,840,626.22                                       |
| Unrestricted                          | 7,098,571.52                                       |
| Total Net Assets                      | <u>\$ 8,939,197.74</u>                             |

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

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OFFICE OF THE GOVERNOR

Exhibit IV - Combined Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Fiscal Year Ended August 31, 2011

|  | <u>Total Enterprise Funds</u><br>(Exhibit F-2 300) |
|--|--|
| <b>Operating Revenue</b>   |  |
| Interest and Investment Income   | \$ 536,668.44                                      |
| Other Operating Revenue  | 278,522.73   |
| Total Operating Revenue  | <u>815,191.17</u>                                  |
| <b>Operating Expenses:</b>   |  |
| Salaries and Wages   | 491,154.85   |
| Payroll Related Costs  | 127,242.68   |
| Professional Fees and Services   | 9,115.00   |
| Travel   | 4,388.96   |
| Materials and Supplies   | 1,849.63   |
| Communication and Utilities  | 33,195.24  |
| Rentals and Leases   | 1,800.00   |
| Printing and Reproduction  | 34.50  |
| Bad Debt Expense   |  |
| Other Operating Expenses   | 272,903.93   |
| Total Operating Expenses   | <u>941,684.79</u>                                  |
| Operating Income (Loss)  | <u>(126,493.62)</u>                                |
| <b>Nonoperating Revenue (Expenses)</b>                                       |  |
| Gifts, Pledges and Donations   | 495.00   |
| Investment Income (Expense)  | 54,576.98  |
| Interest Expenses and Fiscal Charges   | (58,503.06)  |
| Total Other Nonoperating Revenue (Expenses)                                  | <u>(3,431.08)</u>                                  |
| Income (Loss) Before Other Revenue, Expenses,<br>Gains/Losses, and Transfers | <u>(129,924.70)</u>                                |
| <b>Other Revenue, Expenses, Gains/Losses, and Transfers</b>                  |  |
| Transfer In  | 983,512.39   |
| Transfer Out   | (472.86)   |
| Total Other Revenue, Expenses, Gains/Losses, and Transfers                   | <u>983,039.53</u>                                  |
| Change in Net Assets   | <u>853,114.83</u>                                  |
| Total Net Assets, September 1, 2010  | 8,086,082.91                                       |
| Restatements   |  |
| Total Net Assets, September 1, 2010, as Restated                             | <u>8,086,082.91</u>                                |
| Total Net Assets, August 31, 2011  | <u>\$ 8,939,197.74</u>                             |

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

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Exhibit V - Combined Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended August 31, 2011

|  | <u>Total Enterprise Funds</u><br>(Exhibit F-3 300) |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Proceeds from Loan Programs  | \$ 2,193,012.04                                    |
| Proceeds from Other Revenue  | 278,522.73   |
| Payments to Employees for Salaries   | (514,679.62)                                       |
| Payments to Employees for Benefits   | (127,242.68)                                       |
| Payments for Loans Provided  | (5,250,000.00)                                     |
| Payments for Other Expenses  | (237,967.27)                                       |
| Net Cash Provided by Operating Activities  | <u>(3,658,354.80)</u>                              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |  |
| Proceeds from Debt Issuance  | 8,500,000.00                                       |
| Proceeds of Transfers from Other Funds   | 983,512.39   |
| Payments of Interest   | (57,833.89)  |
| Payments of Other Costs of Debt Issuance   | (9,115.00)   |
| Payments for Transfers to Other Funds  | (472.86)   |
| Net Cash Provided by Noncapital Financing Activities                                       | <u>9,416,090.64</u>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |
| Proceeds from Interest Income  | 51,794.74  |
| Net Cash Provided by Investing Activities  | <u>51,794.74</u>                                   |
| Net Increase/(Decrease) in Cash and Cash Equivalents                                       | 5,809,530.58                                       |
| Cash and Cash Equivalents, September 1, 2010   | 3,527,317.92                                       |
| Restatement to Beginning Cash & Cash Equivalents   | -  |
| Cash and Cash Equivalents,<br>September 1, 2010 as Restated                                | <u>3,527,317.92</u>                                |
| Cash and Cash Equivalents, August 31, 2011   | <u>\$ 9,336,848.50</u>                             |
| <b>Reconciliation of Operating Income to<br/>Net Cash Provided by Operating Activities</b> |  |
| Operating Income (Loss)  | \$ (126,493.62)                                    |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided by Operating Activities  |  |
| Operating Income and Cash Flow Categories:<br>Classification Differences                   | 11,723.07  |
| Changes in Assets and Liabilities:   |  |
| (Increase) Decrease in Loans & Contracts   | (3,586,900.99)                                     |
| (Increase) Decrease in Prepaid Expenses  | 669.17   |
| (Increase) Decrease in Accounts Receivable   | (9,537.65)   |
| Increase (Decrease) in Payables  | 52,185.22  |
| Total Adjustments  | <u>(3,531,861.18)</u>                              |
| Net Cash Provided by Operating Activities  | <u>\$ (3,658,354.80)</u>                           |

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

OFFICE OF THE GOVERNOR

Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds  
 For the Fiscal Year Ended August 31, 2011

|                          | Agency Funds<br>(Exhibit J-1) |
|--------------------------|-------------------------------|
| <b>ASSETS</b>            |                               |
| Cash in State Treasury   | \$ 500.00                     |
| Total Assets             | <u>\$ 500.00</u>              |
| <b>LIABILITIES</b>       |                               |
| Funds Held for Others    | \$ 500.00                     |
| Total Liabilities        | <u>\$ 500.00</u>              |
| <b>NET ASSETS</b>        |                               |
| Held in Trust for Others | \$ -                          |
| Total Net Assets         | <u>\$ -</u>                   |

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

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OFFICE OF THE GOVERNOR

Exhibit VIII - Combined Statement of Net Assets - Discretely Presented Component Units  
For the Fiscal Year Ended August 31, 2011

|                                  | <u>Totals</u><br>(Exhibit VIII-300 ) |
|----------------------------------|--------------------------------------|
| <b>ASSETS</b>                    |                                      |
| Current Assets:                  |                                      |
| Cash In Bank (Note 3)            | \$ 718,313.62                        |
| Cash Equivalents (Note 3)        | 25,511,655.37                        |
| Restricted:                      |                                      |
| Cash and Cash Equivalents        |                                      |
| Cash In Bank (Note 3)            | 1,136,890.49                         |
| Receivables from:                |                                      |
| Interest and Dividends           | 97,449.96                            |
| Accounts Receivable              | 10,486.92                            |
| Prepaid Items                    | 121,705.49                           |
| Loans and Contracts              | 1,218,893.82                         |
| Total Current Assets             | <u>28,815,395.67</u>                 |
| Non-Current Assets:              |                                      |
| Restricted:                      |                                      |
| Loans and Contracts              | 36,537,269.33                        |
| Capital Assets (Note 2):         |                                      |
| Depreciable and Amortizable, Net | 31,617.07                            |
| Total Non-Current Assets         | <u>36,568,886.40</u>                 |
| Total Assets                     | <u>\$ 65,384,282.07</u>              |
| <b>LIABILITIES</b>               |                                      |
| Current Liabilities:             |                                      |
| Payables from:                   |                                      |
| Accounts                         | \$ 270,512.41                        |
| Other                            | 9,386.30                             |
| Total Current Liabilities        | <u>279,898.71</u>                    |
| Non-Current Liabilities          |                                      |
| Revenue Bonds Payable (Note 5)   | 60,000,000.00                        |
| Total Non-Current Liabilities    | <u>60,000,000.00</u>                 |
| Total Liabilities                | <u>60,279,898.71</u>                 |
| <b>Net Assets</b>                |                                      |
| Restricted For:                  |                                      |
| Other                            |                                      |
| Unrestricted                     | 5,104,383.36                         |
| Total Net Assets                 | <u>\$ 5,104,383.36</u>               |

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

UNAUDITED

OFFICE OF THE GOVERNOR

Exhibit IX - Combined Statement of Revenues, Expenses and Changes in Net Assets –  
Discretely Presented Component Units  
For the Fiscal Year Ended August 31, 2011

|  | <u>Totals</u><br>(Exhibit IX 300) |
|--|-----------------------------------|
| <b>Operating Revenue:</b>  |                                   |
| Sales of Goods and Services  |                                   |
| Other Sales of Goods and Services - Non-Pledged                              | \$ 1,680,712.33                   |
| Interest and Investment Income   | 1,233,419.01                      |
| Other Operating Revenue  | <u>87,968.17</u>                  |
| Total Operating Revenue  | <u>3,002,099.51</u>               |
| <b>Operating Expenses:</b>   |                                   |
| Salaries and Wages   | 249,461.32                        |
| Payroll Related Costs  | 32,530.58                         |
| Professional Fees and Services   | 610,915.42                        |
| Travel   | 200,189.67                        |
| Materials and Supplies   | 177,073.29                        |
| Communication and Utilities  | 10,367.32                         |
| Rentals and Leases   | 148,466.77                        |
| Printing and Reproduction  | 16,221.03                         |
| Depreciation and Amortization  | 8,389.24                          |
| Bad Debt Expense   | 51,474.21                         |
| Other Operating Expenses   | <u>1,239,678.79</u>               |
| Total Operating Expenses   | <u>2,744,767.64</u>               |
| Operating Income (Loss)  | <u>257,331.87</u>                 |
| <b>Nonoperating Revenue (Expenses)</b>                                       |                                   |
| Gifts, Pledges and Donations   | 1,225,122.48                      |
| Investment Income (Expense)  | 4,458.75                          |
| Interest Expenses and Fiscal Charges   | <u>(142,175.33)</u>               |
| Total Other Nonoperating Revenue (Expenses)                                  | <u>1,087,405.90</u>               |
| Income (Loss) Before Other Revenue, Expenses,<br>Gains/Losses, and Transfers | <u>1,344,737.77</u>               |
| Change in Net Assets   | <u>1,344,737.77</u>               |
| Total Net Assets, September 1, 2010  | 3,801,173.80                      |
| Restatements   | <u>(41,528.21)</u>                |
| Total Net Assets, September 1, 2010, as Restated                             | <u>3,759,645.59</u>               |
| Total Net Assets, August 31, 2011  | <u>\$ 5,104,383.36</u>            |

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

## UNAUDITED

Office of the Governor (Agencies 301 and 300)

### **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 Annual Financial Reports of State Agencies and Universities*.

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***

The Office has five blended component units. Information on component units is disclosed in Note 19.

#### ***Discretely Presented Component Units***

The Office has four discretely presented component units. Information on component units is disclosed in Note 19.

#### **Fund Structure**

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

#### ***Governmental Fund Types and Government-Wide Adjustment Fund Types***

##### ***General Revenue Funds***

General Revenue Funds are the principal operating funds and are used to account for most of the State's general activities, except those required to be accounted for in another fund.

General Revenue Fund (Fund 0001) is the principal operating fund and is used to account for most of the Office's general activities, except those required to be accounted for in another fund.

Operators and Chauffeurs License Fund (Fund 0099) is controlled by Department of Public Safety. The Office is authorized to spend money from Fund 0099 but does not report the shared cash balances in this report.

Governor's Office Federal Projects Fund (Fund 0224) was established to account for federal receipts and disbursements.

American Recovery and Reinvestment Act Fund (Fund 0369) was established to account for federal stimulus receipts and disbursements.

Criminal Justice Planning Fund (Fund 0421) was established to receive 12.5537% of court costs collected from defendants convicted under certain sections of the Penal Code. The fund also accounts for federal receipts and disbursements.

## UNAUDITED

Office of the Governor (Agencies 301 and 300)

### **Summary of Significant Accounting Policies (continued)**

Rural Economic Development Fund (Fund 0425) was established to receive monies appropriated, deposits of principal and interest on loans repaid which are primarily used for the purposes of making loans to promote the location of industrial enterprise in rural areas.

Hotel Occupancy Tax for Economic Development Fund (Fund 5003) was established to receive ½ of 1% of revenue collections of hotel occupancy tax. These funds are used primarily for advertising and other marketing activities that promote Texas as a premier travel destination by the Division of Economic Development and Tourism within the Office of the Governor.

Crime Stoppers Assistance Fund (Fund 5012) was established to receive 0.2581% of court costs from defendants convicted under certain sections of the Penal Code. Ten percent of the amounts deposited may be used for operation of toll-free telephone services under Section 414.012, Government Code and the remainder may be distributed to local crime stoppers organizations.

Tourism License Plate Fund (Fund 5053) was established to record receipts from special "Texas, It's Like a Whole Other Country" license plates. Collections in the account are to be used only to finance tourism activities.

Texas Enterprise Fund (Fund 5107) consists of appropriations, interest earned, gifts, grants, and donations. Collections may be used only for economic development, infrastructure development, community development, job training programs, and business.

Economic Development and Tourism Fund (Fund 5110) was established to record revenue from the sale of the specialty license plate, "Texas Aerospace and Aviation." Collections in the account are to be used only to finance economic development and tourism activities.

Texas Music Foundation License Plate Fund (Fund 5113) was established to account for revenue from the sale of specialty license plates that include the words "Texas Music." Collections may be used by the Texas Music office within the Office of the Governor to make grants to benefit music-related educational and community programs sponsored by nonprofit organizations in this state.

Texas Military Value Revolving Loan Fund (Fund 5114) was established for deposit of loan payments made by a political subdivision, gifts, grants, and proceeds from the sale of general obligation bonds as authorized by Section 40-n, Article III, Texas Constitution. These proceeds are used to fund loans to political subdivisions and defense communities to prepare a comprehensive defense installation and community strategic impact plans.

Daughters of the Republic of Texas Fund (Fund 5115) was established to account for revenue from the sale of specialty license plates that include the words "Native Texan." Proceeds are used by the Division of Economic Development and Tourism within the Office of the Governor to make grants to the Daughters of the Republic of Texas to preserve Texas historic sites or fund educational programs teaching Texas history.

Emerging Technology Fund (Fund 5124) consists of appropriations, benefits realized from a project undertaken with money from the fund, gifts, grants, donations, and interest earned. Proceeds are used for incentives for collaboration between certain entities, for matching research awards, and for acquisition of research superiority.

BP Oil Spill Texas Response Grant (Fund 5149) consists of a block grant from British Petroleum to the state of Texas to pay for costs related to or resulting from the oil spill. These funds may also be used by various state agencies as directed by the Governor's Office for costs related to or resulting from the oil spill.

#### ***Special Revenue Funds***

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Small Business Incubator Fund (Fund 0588) was established as a revolving fund to record bond proceeds, application fees, loan repayments, guarantee fees, royalties, dividend income, appropriations, federal grants, and any other authorized sources as authorized by Section 71, Article XVI, Texas Constitution. Proceeds may be used to provide financing to foster and stimulate development of small business in this state and for fund administration.

## UNAUDITED

Office of the Governor (Agencies 301 and 300)

### **Summary of Significant Accounting Policies (continued)**

Texas Product Development Fund (Fund 0589) was established as a revolving fund to record bond proceeds, application fees, loan repayments, guarantee fees, royalties, dividend income, appropriations, federal grants, and any other authorized sources as authorized by Section 71, Article XVI, Texas Constitution. Proceeds may be used to provide financing to aid in the development and production of new or improved products in this state and for administration.

Texas Military Value Revolving Loan Fund (Fund 7028) was established to receive deposits of loan repayments in order to pay the costs of bond issuance.

#### ***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.

Small Business Incubator Fund (Fund 0588) was established as a revolving fund to record loan repayments in order to pay bond debt service

Texas Product Development Fund (Fund 0589) was established as a revolving fund to record loan repayments in order to pay bond debt service.

Texas Military Value Revolving Loan Funds (Funds 7022, 7026, and 7027) were established to receive deposits of loan repayments in order to pay bond debt service.

#### ***Capital Assets Adjustment Fund Type***

The capital asset adjustment fund 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 is used to convert governmental fund types' debt from modified accrual to full accrual.

### ***Proprietary Fund Types***

#### ***Enterprise Funds***

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 costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenue.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Economic Development Bank Fund (Fund 5106) consists of appropriations, fees under Government Code, Chapter 481, Subchapter BB, fees under Government Code, Chapter 489, interest, and other amounts received by the state under Government Code, Chapter 489. Proceeds are used only to carry out the purposes of Government Code, Chapter 489.

### ***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.

## UNAUDITED

Office of the Governor (Agencies 301 and 300)

### **Summary of Significant Accounting Policies (continued)**

#### ***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 is disclosed in Note 19.

#### ***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 are accounted for using 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 accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, the unmatured debt service 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 full accrual basis of accounting. Under the full 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.

##### ***Inventories and Prepaid Items***

The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

##### ***Loans and Contracts Receivable***

Loans Receivable reflects the outstanding amount of loans to outside entities. Per GASB 33 requirements, it also reflects grant payments given in advance of requirements being met. The advances will be reclassified as expenditures when the conditions are met.

## UNAUDITED

Office of the Governor (Agencies 301 and 300)

### **Summary of Significant Accounting Policies (continued)**

#### ***Investments***

Investments in the Emerging Technology Fund are recorded as follows:

- Until the warrants or the right to purchase capital stock are exercised, the investment is recorded at the amount awarded to the company.
- Upon exercise of the warrants or the right to purchase capital stock, the investment value is increased or decreased accordingly.

#### ***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 revenues set aside for statutory or contractual requirements.

#### ***Capital Assets***

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if 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.

#### ***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.

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Office of the Governor (Agencies 301 and 300)

### **Summary of Significant Accounting Policies (continued)**

#### ***Fund Balance Components***

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- 1) Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. Prepaid items have been classified as nonspendable.
- 2) Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions. Fund balances of the following funds which are not nonspendable have been classified as restricted:
  - o Federal fund balances which are accounted for in the Governor's Office Federal Projects Fund 0224, the American Recovery & Reinvest Act Fund 0369 and the Criminal Justice Planning Fund 0421 have been classified as restricted.
  - o Fund balances of the Small Business Incubator Fund 0588, the Texas Product Development Fund 0589 and the Texas Military Revolving Loan Fund 5114 have been classified as restricted since these funds were established in the Texas Constitution. The Small Business Incubator Fund and the Texas Product Development Fund were established in Article XVI and the Texas Military Revolving Loan Fund was established in Article III.
  - o In addition, fund balances of the debt service funds consisting of Texas Military Value Revolving Loan Funds 7022, 7026 and 7273 have been classified as restricted due to the restrictions of the debt covenants.
- 3) Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority. Fund balances of the general revenue dedicated funds and the blended component units which are not classified as nonspendable or restricted have been classified as committed.
- 4) Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Fund balances of the general revenue fund have been classified as assigned.
- 5) Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

#### ***Invested In Capital Assets, Net Of Related Debt***

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

#### ***Restricted Net Assets***

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

#### ***Unrestricted Net Assets***

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

### **Interfund Activities and Balances**

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The Office has the following type of transactions between funds and/or agencies:

- 1) Transfers: Legally required transfers that are reported when incurred as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund

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**Office of the Governor (Agencies 301 and 300)**

**Summary of Significant Accounting Policies (continued)**

for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as "current." Balances for repayment due in two (or more) years are classified as "noncurrent."

The composition of the Office's interfund activities and balances are presented in Note 12.

**NOTE 2: Capital Assets**

Revenue received from the sale of surplus property has been transferred to unappropriated general revenue in accordance with HB 7, Section 20, 80<sup>th</sup> Legislature, R.S.

A summary of changes in Capital Assets, for the year ended August 31, 2011, is presented below for the Office of the Governor – Core Operations (301):

|  | PRIMARY GOVERNMENT   |             |                   |                          |                          |                       |             |                      |
|--|----------------------|-------------|-------------------|--------------------------|--------------------------|-----------------------|-------------|----------------------|
|  | Balance<br>09/01/10  | Adjustments | Reclassifications |                          |                          | Additions             | Deletions   | Balance<br>08/31/11  |
|  |                      |             | Completed<br>CIP  | Inc-<br>Int'agy<br>Trans | Dec-<br>Int'agy<br>Trans |                       |             |                      |
| <b>GOVERNMENTAL ACTIVITIES</b>                         |                      |             |                   |                          |                          |                       |             |                      |
| Depreciable Assets                                     |                      |             |                   |                          |                          |                       |             |                      |
| Furniture and Equipment                                | \$ 425,184.94        | \$ -        | \$ -              | \$ -                     | \$ -                     | \$ 8,791.99           | \$ -        | \$ 433,976.93        |
| Total Depreciable Assets at<br>Historical Costs        | 425,184.94           | -           | -                 | -                        | -                        | 8,791.99              | -           | 433,976.93           |
| Less Accumulated Depreciation<br>for:                  |                      |             |                   |                          |                          |                       |             |                      |
| Furniture and Equipment                                | (302,963.43)         | -           | -                 | -                        | -                        | (30,790.43)           | -           | (333,753.86)         |
| Total Accumulated Depreciation                         | (302,963.43)         | -           | -                 | -                        | -                        | (30,790.43)           | -           | (333,753.86)         |
| Depreciable Assets, Net                                | 122,221.51           | -           | -                 | -                        | -                        | (21,998.44)           | -           | 100,223.07           |
| <b>Governmental Activities Capital<br/>Assets, Net</b> | <b>\$ 122,221.51</b> | <b>\$ -</b> | <b>\$ -</b>       | <b>\$ -</b>              | <b>\$ -</b>              | <b>\$ (21,998.44)</b> | <b>\$ -</b> | <b>\$ 100,223.07</b> |

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, 2011, is presented below for the Office of the Governor – Trusteed Programs (300):

|  | PRIMARY GOVERNMENT  |             |                   |                          |                      |                      |             |                     |
|--|---------------------|-------------|-------------------|--------------------------|----------------------|----------------------|-------------|---------------------|
|  | Balance<br>09/01/10 | Adjustments | Reclassifications |                          |                      | Additions            | Deletions   | Balance<br>08/31/11 |
|  |                     |             | Completed<br>CIP  | Inc-<br>Int'agy<br>Trans | Dec-Int'agy<br>Trans |                      |             |                     |
| <b>GOVERNMENTAL ACTIVITIES</b>                         |                     |             |                   |                          |                      |                      |             |                     |
| Depreciable Assets                                     |                     |             |                   |                          |                      |                      |             |                     |
| Furniture and Equipment                                | \$ 112,229.59       | \$ -        | \$ -              | \$ -                     | \$ -                 | \$ -                 | \$ -        | \$ 112,229.59       |
| Total Depreciable Assets at<br>Historical Costs        | 112,229.59          | -           | -                 | -                        | -                    | -                    | -           | 112,229.59          |
| Less Accumulated Depreciation<br>for:                  |                     |             |                   |                          |                      |                      |             |                     |
| Furniture and Equipment                                | (108,696.31)        | -           | -                 | -                        | -                    | (1,040.44)           | -           | (109,736.75)        |
| Total Accumulated Depreciation                         | (108,696.31)        | -           | -                 | -                        | -                    | (1,040.44)           | -           | (109,736.75)        |
| Depreciable Assets, Net                                | 3,533.28            | -           | -                 | -                        | -                    | (1,040.44)           | -           | 2,492.84            |
| <b>Governmental Activities Capital<br/>Assets, Net</b> | <b>\$ 3,533.28</b>  | <b>\$ -</b> | <b>\$ -</b>       | <b>\$ -</b>              | <b>\$ -</b>          | <b>\$ (1,040.44)</b> | <b>\$ -</b> | <b>\$ 2,492.84</b>  |

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

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**Capital Assets (continued)**

A summary of changes in Capital Assets for Discretely Presented Component Units, for the year ended August 31, 2011, is presented below for the Office of the Governor – Trusteed Programs (300):

|  | DISCRETELY PRESENTED COMPONENT UNITS |             |                   |                          |                      |              |           |                     |
|--|--------------------------------------|-------------|-------------------|--------------------------|----------------------|--------------|-----------|---------------------|
|  | Balance<br>09/01/10                  | Adjustments | Reclassifications |                          |                      | Additions    | Deletions | Balance<br>08/31/11 |
|  |                                      |             | Completed<br>CIP  | Inc-<br>Int'agy<br>Trans | Dec-Int'agy<br>Trans |              |           |                     |
| <b>DISCRETELY PRESENTED COMPONENT UNITS</b>                                      |                                      |             |                   |                          |                      |              |           |                     |
| Depreciable Assets   |                                      |             |                   |                          |                      |              |           |                     |
| Furniture and Equipment  | \$ 21,217.92                         | \$ -        | \$ -              | \$ -                     | \$ -                 | \$ 20,405.28 | \$ -      | \$ 41,623.20        |
| Total Depreciable Assets at Historical Costs                                     | 21,217.92                            | -           | -                 | -                        | -                    | 20,405.28    | -         | 41,623.20           |
| Less Accumulated Depreciation for:   |                                      |             |                   |                          |                      |              |           |                     |
| Furniture and Equipment  | (1,616.89)                           | -           | -                 | -                        | -                    | (8,389.24)   | -         | (10,006.13)         |
| Total Accumulated Depreciation   | (1,616.89)                           | -           | -                 | -                        | -                    | (8,389.24)   | -         | (10,006.13)         |
| Depreciable Assets, Net Discretely Presented Component Units Capital Assets, Net | \$ 19,601.03                         | \$ -        | \$ -              | \$ -                     | \$ -                 | \$ 12,016.04 | \$ -      | \$ 31,617.07        |

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

***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, 2011, the carrying amount of deposits was \$2,443,712.88 as presented below:

| Governmental and Business-Type Activities                            |                      |
|--|----------------------|
| CASH IN BANK - CARRYING VALUE  | \$ 588,508.77        |
| Less: CD included in carrying amount and reported as Cash Equivalent | 25,093.64            |
| <b>Cash in Bank per AFR (Funds 9999/7010 and 9999/0995)</b>          | <b>\$ 563,415.13</b> |
| Governmental Funds Restricted Cash in Bank (Fund 9999/7010)          | \$ 355,996.96        |
| Proprietary Funds Restricted Cash in Bank (Fund 9999/0995)           | 207,418.17           |
| <b>Cash in Bank per AFR</b>  | <b>\$ 563,415.13</b> |

| Discretely Presented Component Units                           |                        |
|--|------------------------|
| CASH IN BANK - CARRYING VALUE                                  | \$ 1,855,204.11        |
| <b>Cash in Bank per AFR (Funds 9999/7003 and 9999/7004)</b>    | <b>\$ 1,855,204.11</b> |
| Discrete Component Unit Current Assets Cash in Bank            | \$ 718,313.62          |
| Discrete Component Unit Current Assets Restricted Cash in Bank | 1,136,890.49           |
| <b>Cash in Bank Per AFR</b>                                    | <b>\$ 1,855,204.11</b> |

These amounts consist of all cash in local banks and are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts.

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**Deposits, Investments, and Repurchase Agreements (continued)**

As of August 31, 2011, the total bank balance was as follows:

|   |                      |  |                        |
|---|----------------------|--|------------------------|
| <b>Governmental and Business-Type Activities:</b> | <b>\$ 563,415.13</b> | <b>Discretely Presented Component Units:</b> | <b>\$1, 855,204.11</b> |
|---|----------------------|--|------------------------|

**Investments**

As of August 31, 2011, the carrying value and fair value of investments are presented below:

| <b>Governmental and Business-Type Activities</b> | <b>Carrying Value</b>    | <b>Fair Value</b>        |
|--|--------------------------|--------------------------|
| Emerging Technology Fund (5124) Investments      | \$ 169,398,260.05        | \$ 169,398,260.05        |
| Repurchase Agreement (Fund 9999/7010)            | 475,063.63               | 475,063.63               |
| Money Market Demand Account (Fund 9999/7010)     | 66,792.44                | 66,792.44                |
| Non-negotiable CD (Fund 9999/7010)               | 25,093.64                | 25,093.64                |
| <b>Total</b>                                     | <b>\$ 169,965,209.76</b> | <b>\$ 169,965,209.76</b> |

| <b>Discretely Presented Component Units</b>                                   | <b>Carrying Value</b>   | <b>Fair Value</b>       |
|---|-------------------------|-------------------------|
| Repurchase Agreements - Texas Treasury Safekeeping Trust Co. (Fund 9999/7001) | \$ 1,932,117.13         | \$ 1,932,117.13         |
| U.S. Government Obligations Money Market Fund (Fund 9999/7002)                | 23,579,538.24           | 23,579,538.24           |
| <b>Total</b>  | <b>\$ 25,511,655.37</b> | <b>\$ 25,511,655.37</b> |

The underlying securities for the repurchase agreements are rated AA+ by Standard & Poor's. The U.S. Government Obligations money market fund is rated AAAm by Standard & Poor's.

The Emerging Technology Fund, established by Government Code Chapter 490, provides commercialization awards to start-up companies. These payments are awarded by contracts that require the company to give the Office warrants or investment units to be exercised when the company has a qualifying financial transaction or other event as specified by contract or negotiation. Because there is an expectation that these companies will become successful and provide a return of funds to the Office through the eventual receipt and sale of capital stock shares in each company, the awards are considered investments by the Office. Until the warrants or the right to purchase capital stock are exercised, the investment is recorded at the amount awarded. Upon exercise of the warrants or the right to purchase capital stock, the investment value is increased or decreased accordingly. In many cases, the company also signs a promissory note for the amount of the award, which is forgiven at the end of a ten year period if the company fulfills the terms of the contract. Promissory notes are only recorded as a receivable if they are demanded by the Office, as companies are expected to succeed and meet the terms of the contract. If no promissory note exists and the company declares bankruptcy, enters into receivership, or the Office determines that the company is no longer in business, the company's current investment value is decreased to zero.

**NOTE 4: Short-Term Debt**

The Office has a letter of credit for \$20,000,000 with JP Morgan Chase Bank to finance the Texas Leverage Fund Program. 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, 2011. The following details the draws and repayments during the fiscal year.

| <b>Proprietary Activities</b> | <b>Balance 9/1/2010</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Balance 8/31/2011</b> |
|-------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Letter of Credit - Fund 5106  | \$ -                    | \$ 6,733.89         | \$ 6,733.89         | \$ -                     |
|                               |                         | 17,100.00           | 17,100.00           |                          |
|                               |                         | 29,200.00           | 29,200.00           |                          |
|                               |                         | 4,800.00            | 4,800.00            |                          |
| <b>Total</b>                  | <b>\$ -</b>             | <b>\$ 57,833.89</b> | <b>\$ 57,833.89</b> | <b>\$ -</b>              |

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**NOTE 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2011, the following changes occurred in liabilities:

| Governmental Activities              | Balance<br>9/1/2010     | Additions              | Reductions               | Balance<br>8/31/2011    | Amounts Due<br>Within One Year | Amounts Due<br>Thereafter |
|--------------------------------------|-------------------------|------------------------|--------------------------|-------------------------|--------------------------------|---------------------------|
| General Obligation Bonds Payable     | \$ 94,595,000.00        | \$ -                   | (450,000.00)             | \$ 94,145,000.00        | \$ 465,000.00                  | \$ 93,680,000.00          |
| Claims and Judgments                 | -                       | -                      | -                        | -                       | -                              | -                         |
| Compensable Leave (301)              | 1,214,845.89            | 1,606,229.21           | (1,359,944.25)           | 1,461,130.85            | 979,706.37                     | 481,424.48                |
| Compensable Leave (300)              | 1,060,374.76            | 826,527.62             | (1,030,192.46)           | 856,709.92              | 652,304.38                     | 204,405.54                |
| <b>Total Governmental Activities</b> | <b>\$ 96,870,220.65</b> | <b>\$ 2,432,756.83</b> | <b>\$ (2,840,136.71)</b> | <b>\$ 96,462,840.77</b> | <b>\$ 2,097,010.75</b>         | <b>\$ 94,365,830.02</b>   |

| Business-Type Activities              | Balance<br>9/1/2010     | Additions              | Reductions            | Balance<br>8/31/2011    | Amounts Due<br>Within One Year | Amounts Due<br>Thereafter |
|---------------------------------------|-------------------------|------------------------|-----------------------|-------------------------|--------------------------------|---------------------------|
| Notes and Loans Payable               | \$ 11,500,000.00        | \$ 8,500,000.00        | \$ -                  | \$ 20,000,000.00        | \$ 20,000,000.00               | \$ -                      |
| Compensable Leave (300)               | 56,461.41               | 71,510.42              | (76,395.38)           | 51,576.45               | 28,249.65                      | 23,326.80                 |
| <b>Total Business-Type Activities</b> | <b>\$ 11,556,461.41</b> | <b>\$ 8,571,510.42</b> | <b>\$ (76,395.38)</b> | <b>\$ 20,051,576.45</b> | <b>\$ 20,028,249.65</b>        | <b>\$ 23,326.80</b>       |

| Component Unit Activities             | Balance<br>9/1/2010     | Additions   | Reductions  | Balance<br>8/31/2011    | Amounts Due<br>Within One Year | Amounts Due<br>Thereafter |
|---------------------------------------|-------------------------|-------------|-------------|-------------------------|--------------------------------|---------------------------|
| Revenue Bonds Payable                 | \$ 60,000,000.00        | \$ -        | \$ -        | \$ 60,000,000.00        | \$ -                           | \$ 60,000,000.00          |
| <b>Total Business-Type Activities</b> | <b>\$ 60,000,000.00</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 60,000,000.00</b> | <b>\$ -</b>                    | <b>\$ 60,000,000.00</b>   |

**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 |                         |             |                          |                        |                           |             |
|---|-------------------------|-------------|--------------------------|------------------------|---------------------------|-------------|
| Year                                    | Governmental Activities |             | Business-Type Activities |                        | Component Unit Activities |             |
|   | Principal               | Interest    | Principal                | Interest               | Principal                 | Interest    |
| 2012                                    | \$ -                    | \$ -        | \$ 20,000,000.00         | \$ 54,000.00           | \$ -                      | \$ -        |
| 2013                                    |                         |             |                          | 54,000.00              |                           |             |
| 2014                                    |                         |             |                          | 54,000.00              |                           |             |
| 2015                                    |                         |             |                          | 54,000.00              |                           |             |
| 2016                                    |                         |             |                          | 54,000.00              |                           |             |
| 2017 – 2021                             |                         |             |                          | 270,000.00             |                           |             |
| 2022 – 2026                             |                         |             |                          | 270,000.00             |                           |             |
| 2027 – 2031                             |                         |             |                          | 270,000.00             |                           |             |
| <b>Total Requirements</b>               | <b>\$ -</b>             | <b>\$ -</b> | <b>\$ 20,000,000.00</b>  | <b>\$ 1,080,000.00</b> | <b>\$ -</b>               | <b>\$ -</b> |

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### **Long-Term Liabilities (continued)**

The debt service requirements for Notes Payable in the Business-Type Activities are based upon periodic sales of \$20,000,000.00 in commercial paper which has a maturity date of September 12, 2011. The interest rate is variable and determined by market rate at the time the commercial paper trade is made. The rate of .27%, effective on August 31, 2011, was used to calculate the estimated interest amounts shown above.

The commercial paper program, which supports the Texas Leverage Fund, is authorized by Section 52-a of Article III of the Constitution of the State of Texas and Chapter 481 of the Texas Government Code to issue revenue bonds or notes for the purpose of providing money to fund the loan program. The program is secured by a direct-pay letter of credit from JP Morgan Chase. The letter of credit is authorized for \$25 million, however, only \$20 million has been issued.

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: 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 May 18, 2005.
- \$25,000,000; all authorized bonds have been issued.
- Source of revenue for debt service – loan repayments, which are designed to support both debt service and programs costs. In addition, cash reserves of \$2,500,000 are set aside to provide a cushion for unforeseen cash flow mismatches.
- Loans are collateralized with the State's security interest in the capital assets.
- 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.

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### **Bond Indebtedness (continued)**

#### ***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 May 18, 2005..
- \$20,000,000; all authorized bonds have been issued.
- Source of revenue for debt service – loan repayments, which are designed to support both debt service and programs costs. In addition, cash reserves of \$2,000,000 are set aside to provide a cushion for unforeseen cash flow mismatches.
- Loans are collateralized with the State's security interest in the intangible assets.
- 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 March 15, 2007.
- \$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.
- 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.

### ***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 July 15, 1986.
- \$750,000,000; all authorized bonds have been issued.
- Bonds totaling \$649,600,000 and \$1,065,000 were redeemed on July 5, 1989, and November 1, 1989, respectively. Bonds totaling \$39,335,000 were redeemed in 2009.
- 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 Comerica for \$61,430,136.99. As of August 31, 2011, 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**

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No early extinguishment of debt occurred during fiscal year 2011.

### **Refunding**

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No advance or current refundings occurred during fiscal year 2011.

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**Bond Indebtedness (continued)**

**Pledged Future Revenue**

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a collateralized borrowing, on the other. The following table provides the pledged future revenue information for the revenue bonds of the Office of the Governor:

|  | Government Activities | Business-Type Activities | Component Units |
|--|-----------------------|--------------------------|-----------------|
| Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds | N/A                   | N/A                      | \$61,620,000.00 |
| Term of Commitment Year Ending 08/31/11  | N/A                   | N/A                      | 2026            |
| Percentage of Revenue Pledged  | N/A                   | N/A                      | 100%            |
| Current Year Pledged Revenue   | N/A                   | N/A                      | 1,235,621.86    |
| Current Year Principal and Interest Paid   | N/A                   | N/A                      | 142,175.33      |
| <b>Pledged revenue sources:</b>  |                       |                          |                 |
| Governmental activities – N/A  |                       |                          |                 |
| Business-type activities – N/A   |                       |                          |                 |
| Component Units – Loan repayments and investment earnings on bond proceeds           |                       |                          |                 |

**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, 2011.

**NOTE 7: Derivatives**

(Not Applicable)

**NOTE 8: Leases**

(Not Applicable)

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**NOTE 9: Pension Plans (administering entities only)**

(Not Applicable)

**NOTE 10: Deferred Compensation (administering agencies only)**

(Not Applicable)

**NOTE 11: Post Employment Health Care and Life Insurance Benefits (administering agencies only)**

(Not Applicable)

**NOTE 12: Interfund Activity and Transactions**

As explained in Note 1 on Interfund 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.

Individual balances and activity at 08/31/2011 are as follows:

| Interfund Receivables and Payables – Current            |                      |                     |                             |
|---|----------------------|---------------------|-----------------------------|
| Current Portion   | Interfund Receivable | Interfund Payable   | Purpose                     |
| <b>Agency 301</b>                                       |                      |                     |                             |
| GENERAL REVENUE (01)                                    |                      |                     |                             |
| Appropriated Fund 0001, D23 Fund 0001                   |                      |                     |                             |
| Agy 300, D23 Fund 2029                                  | \$ -                 | \$ 66,838.19        | Expenditure transfer to 300 |
| Agy 300 D23 Fund 0001                                   | 95.09                |                     | Postage allocation from 300 |
| Agy 300 D23 Fund 4100                                   | 2.19                 |                     | Postage allocation from 300 |
| Agy 300 D23 Fund 0421                                   | 30.44                |                     | Postage allocation from 300 |
| Agy 300 D23 Fund 5003                                   | 72.30                |                     | Postage allocation from 300 |
| Agy 300 D23 Fund 5124                                   | 9.35                 |                     | Postage allocation from 300 |
| Agy 300 D23 Fund 5106                                   | 1.50                 |                     | Postage allocation from 300 |
| <b>Total Current Interfund Receivable/Payable (301)</b> | <b>\$ 210.87</b>     | <b>\$ 66,838.19</b> |                             |

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**Interfund Activity and Transactions (continued)**

| Interfund Receivables and Payables – Current     |                      |                   |                                 |
|--|----------------------|-------------------|---------------------------------|
| Current Portion                                  | Interfund Receivable | Interfund Payable | Purpose                         |
| <b>Agency 300</b>                                |                      |                   |                                 |
| GENERAL REVENUE (01)                             |                      |                   |                                 |
| Appropriated Fund 0001                           |                      |                   |                                 |
| Agy 300, D23 Fund 2129                           | \$ 494,081.76        | \$ -              | Reimbursement for grant payment |
| Agy 300, D23 Fund 2029                           |                      | 494,081.76        | Reimbursement for grant payment |
| Agy 301, D23 Fund 0001                           | 66,838.19            |                   | Expenditure transfer from 301   |
| Agy 301, D23 Fund 0001                           |                      | 97.28             | Postage allocation to 301       |
| Appropriated Fund 0421, D23 Fund 0421            |                      |                   |                                 |
| Agy 301, D23 Fund 0001                           |                      | 30.44             | Postage allocation to 301       |
| Appropriated Fund 5003, D23 Fund 5003            |                      |                   |                                 |
| Agy 301, D23 Fund 0001                           |                      | 72.30             | Postage allocation to 301       |
| Appropriated Fund 5124, D23 Fund 5124            |                      |                   |                                 |
| Agy 301, D23 Fund 0001                           |                      | 9.35              | Postage allocation to 301       |
| BUSINESS-TYPE (05)                               |                      |                   |                                 |
| Appropriated Fund 5106, D23 Fund 5106            |                      |                   |                                 |
| Agy 301, D23 Fund 0001                           |                      | 1.50              | Postage allocation to 301       |
| Total Current Interfund Receivable/Payable (300) | \$ 560,919.95        | \$ 494,292.63     |                                 |
| GRAND TOTAL, Interfund Receivable/Payable        | \$ 561,130.82        | \$ 561,130.82     |                                 |

| Legislative Transfers                           |                          |                           |                                |
|---|--------------------------|---------------------------|--------------------------------|
|   | Legislative Transfers In | Legislative Transfers Out | Purpose                        |
| <b>Agency 301</b>                               |                          |                           |                                |
| GENERAL REVENUE (01)                            |                          |                           |                                |
| Appropriated Fund 0001, D23 Fund 0001           |                          |                           |                                |
| Agy 300, D23 Fund 0001                          | \$ 2,167,866.24          | \$ -                      | Administrative Cost Allocation |
| Agy 300, D23 Fund 4102                          | 94,335.92                |                           | Article IX, Sec. 17.22         |
| <b>Total Legislative Transfers (Agency 301)</b> | <b>\$ 2,262,202.16</b>   | <b>\$ -</b>               |                                |

| Legislative Transfers                           |                          |                           |                                |
|---|--------------------------|---------------------------|--------------------------------|
|   | Legislative Transfers In | Legislative Transfers Out | Purpose                        |
| <b>Agency 300</b>                               |                          |                           |                                |
| GENERAL REVENUE (01)                            |                          |                           |                                |
| Appropriated fund 0001, D23                     |                          |                           |                                |
| Agy 301, D23 Fund 0001                          | \$ -                     | \$ (2,167,866.24)         | Administrative Cost Allocation |
| Agy 301, D23 Fund 0001                          |                          | (94,335.92)               | Article IX, Sec. 17.22         |
| Agy 401, D23 Fund 0001                          | 2,383,474.68             |                           | Return of Disaster Funding     |
| Agy 405, D23 Fund 0001                          | 7,181,057.48             |                           | Return of Disaster Funding     |
| <b>Total Legislative Transfers (Agency 300)</b> | <b>\$ 9,564,532.16</b>   | <b>\$ (2,262,202.16)</b>  |                                |
| <b>Total Legislative Transfers</b>              | <b>\$ 11,826,734.32</b>  | <b>\$ (2,262,202.16)</b>  |                                |

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**Interfund Activity and Transactions (continued)**

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

**NOTE 13: Continuance Subject To Review**

(Not Applicable)

**NOTE 14: Adjustments to Fund Balances/ Net Assets**

During fiscal year 2011, adjustments were made which required the restatement of the amounts in fund balances and fund equity as shown and discussed below:

- (a) Reclassification due to reduction of deferred revenue from prior year in CFDA 84.186.
- (b) Correction of loans and contracts receivables.
- (c) Adjustment made to reclass prior period fund expenditures as investments per GASB 31 requirements.
- (d) Reclass due to change to fiscal year end date for Texas Health Services Authority, a discretely presented component unit, resulting in a change of fund balance

|   | Fund 0421<br>Agency 300 | Fund 5114<br>Agency 300 | Fund 5124<br>Agency 300  | Fund 9999<br>Agency 300 | Total                    |
|---|-------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| Fund Balance / Equity as of August 31, 2010                           | \$ 42,943,128.30        | \$ 47,730,866.16        | \$ 153,925,938.53        | \$ 44,696.78            | \$ 244,644,629.77        |
| <b>Restatements:</b>  |                         |                         |                          |                         |                          |
| (a)   | 339,317.86              |                         |                          |                         | 339,317.86               |
| (b)   |                         | 1,919,475.57            |                          |                         | 1,919,475.57             |
| (c)   |                         |                         | 130,270,325.25           |                         | 130,270,325.25           |
| (d)   |                         |                         |                          | (41,528.21)             | (41,528.21)              |
| Net Restatements  | 339,317.86              | 1,919,475.57            | 130,270,325.25           | (41,528.21)             | 132,487,590.47           |
| <b>Fund Balance / Equity as of September 1, 2010,<br/>as Restated</b> | <b>\$ 43,282,446.16</b> | <b>\$ 49,650,341.73</b> | <b>\$ 284,196,263.78</b> | <b>\$ 3,168.57</b>      | <b>\$ 377,132,220.24</b> |

**NOTE 15: Contingencies and Commitments**

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:

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**Contingencies and Commitments (continued)**

| <b>Claims and Recoveries FY2000 - FY2011</b> |                        |                      |
|--|------------------------|----------------------|
| <b>GAAP Fund 9999 - Loan Loss Reserves</b>   |                        |                      |
| <u>FY</u>                                    | <u>Claims</u>          | <u>Recoveries</u>    |
| 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             |
| 2009   | 25,126.75              | 29,096.26            |
| 2010   | 43,417.73              | 42,021.70            |
| 2011   |                        | 422.73               |
| <b>Total</b>                                 | <b>\$ 6,464,060.66</b> | <b>\$ 645,386.68</b> |
| <b>Average</b>                               | <b>\$ 538,671.72</b>   | <b>\$ 53,782.22</b>  |

The Office is a defendant in pending litigations that could possibly result in liabilities in excess of \$250,000.00 plus an unknown amount of attorney fees and court costs. However, it is unlikely that any amount will be awarded or attorney fees incurred.

As of August 31, 2011, the Office encumbered expenditures in governmental funds for signed contracts and purchase orders as presented in the table below:

|   | <b>Encumbrances</b>      |
|---|--------------------------|
| <b>General Funds:</b>                               |                          |
| General Revenue Fund (0001)                         | \$ 64,088,506.87         |
| Operators & Chauffeurs License (0099)               | 6,586,185.10             |
| Governor's Office Federal Projects (0224)           | 12,277,801.54            |
| American Recovery & Reinvest Act (0369)             | 13,299,481.17            |
| Criminal Justice Planning (0421)                    | 24,011,715.71            |
| Hotel Occupancy Tax for Economic Development (5003) | 9,568,525.54             |
| Crime Stoppers Assistance (5012)                    | 157,260.84               |
| Texas Enterprise (5107)                             | 59,901,000.00            |
| Emerging Technology (5124)                          | 43,534,939.93            |
| <b>Special Revenue Funds:</b>                       |                          |
| Texas Product Development Fund (0589)               | 360,000.00               |
| <b>Total Encumbrances for Governmental Funds:</b>   | <b>\$ 233,785,416.70</b> |

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### **NOTE 16: Subsequent Events**

(Not Applicable)

### **NOTE 17: Risk Management**

(Not Applicable)

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

From fiscal year 2006 through fiscal year 2010, the agency disbursed \$135,652,349 in funds from the Emerging Technology Fund for commercialization awards under Government Code 490 Subchapter D. These disbursements were originally recorded as grant expenditures and have now been reclassified as investments. Payments under Government Code 490 Subchapter E, Research Award Matching and Subchapter F, Acquisition of Research Superiority are not expected to be returned to the fund and continue to be recorded as grant expenditures.

In exchange for payments, companies issued the agency warrants, or a right to purchase capital stock of the company, pursuant to the contract between the awardee and the Office of the Governor, Economic Development and Tourism. Warrants, rights to purchase, or capital stock received in connection to payments issued are recorded as investments.

An investor's management is responsible for making the value measurements and disclosures that are to be included in the financial statements. The agency has determined that these investments will initially be recorded at cost (disbursed amount) prior to a qualifying financial event or a conversion as specified in the contract. A qualifying financial event would establish the market value on a price per share basis for capital stock owned by the agency. Additionally, the agency had not reported the net increase or decrease in the value of these investments in the Annual Financial Reports prior to 2011.

In fiscal year 2011, correcting entries were made to establish an asset value for the investments as of August 31, 2011, as well as entries for the net increase in the value for the year. The correction resulted in a restatement of \$130,270,325.25. Total investment assets are shown in Note 3.

The agency receives, pursuant to an Investment Unit issued by certain companies, a promissory note with a principle balance equal to the amount disbursed carrying eight percent simple interest per annum accruing daily. These notes expire after ten years. Due to the terms of some contracts, the Office expects that cash payment for these notes will not be received except under certain circumstances. It is the opinion of the Office that recording the value of these notes as assets would severely overstate fund assets. Notes are demanded upon an event of default pursuant to contract terms. When a note is called, a note receivable is recorded. Interest income is recorded when received. As of August 31, 2011, four notes had been called, totaling \$4,500,000.

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### **NOTE 19: 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 which 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 August 31, 2011, are available from the Governor's Commission on Women.

The Film Texas Fund is a 501(c)(3) corporation which 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, 2011, 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 August 31, 2011, are available from the Governor's Commission on Women.

The Texas Governor's Fellowship Program is a 501(c)(3) corporation which 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, 2010, are available from the Texas Governor's Fellowship Program.

The Texas Governor's Mansion Restoration Fund (TGMRF) is a 501(c)(3) 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 serves as a board member. The corporation's financial statements, for its fiscal year ending August 31, 2011, 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, 2011, are available from the Office's Financial Services Division.

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

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***The Financial Reporting Entity (continued)***

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, 2011, are available from the Office's Financial Services Division.

The Texas Disaster Relief Fund (TDRF) is a 501(c)(3) 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 board members and officers. 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, 2011, are available from the Office's Financial Services Division.

The Texas Health Services Authority (THSA) is a 501(c)(3) corporation and was created by House Bill 1066, 80<sup>th</sup> Session to support improvement of the Texas health care system. 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. The corporation's financial statements, for its fiscal year ending September 30, 2011, are available from THSA.

***NOTE 20: Stewardship, Compliance and Accountability***

(Not Applicable)

***NOTE 21: Not Applicable to the AFR***

(Not Applicable)

***NOTE 22: Donor-Restricted Endowments***

(Not Applicable)

***NOTE 23: Extraordinary Items and Special Items***

(Not Applicable)

***NOTE 24: Disaggregation of Receivable and Payable Balances***

(Not Applicable)

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**NOTE 25: Termination Benefits**

(Not Applicable)

**NOTE 26: 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.

# **The Office of the Governor Combining Statements - Exhibits and Schedules**

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Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds  
For the Fiscal Year Ended August 31, 2011

|                                      | Consolidated Accounts                      |  |  |  |
|--------------------------------------|--|--|--|--|
|                                      | General Revenue Fund (0001)*<br>U/F (0001) | Operators & Chauffeurs License (0099)*<br>U/F (4541, 4542, 4545) | Governor's Office Federal Projects (0224)*<br>U/F (0224) | American Recovery & Reinvest Act (Fed) (0369)*<br>U/F (0369) |
| <b>ASSETS</b>                        |  |  |  |  |
| Current Assets:                      |  |  |  |  |
| Cash and Cash Equivalents            |  |  |  |  |
| Cash in State Treasury               | \$ -                                       | \$ -   | \$ 35,879,370.75   | \$ 13,042,944.01   |
| Legislative Appropriations           | 109,950,532.38                             |  |  |  |
| Receivables from:                    |  |  |  |  |
| Federal                              |  |  |  | 176,596.74   |
| Interest and Dividends               |  |  | 24,553.66  | 7,098.69   |
| Accounts Receivable                  | 705.00                                     |  |  |  |
| Interfund Receivables (Note 12)      | 561,130.82                                 |  |  |  |
| Due From Other Agencies              | 134,692.48                                 | 291,317.58   |  | 1,170,996.45   |
| Loans and Contracts                  |  |  |  |  |
| Total Current Assets                 | <u>110,647,060.68</u>                      | <u>291,317.58</u>  | <u>35,903,924.41</u>                                     | <u>14,397,635.89</u>   |
| Non-Current Assets:                  |  |  |  |  |
| Loans and Contracts                  |  |  |  |  |
| Investments                          |  |  |  |  |
| Total Non-Current Assets             | <u>-</u>                                   | <u>-</u>   | <u>-</u>   | <u>-</u>   |
| Total Assets                         | <u>\$ 110,647,060.68</u>                   | <u>\$ 291,317.58</u>   | <u>\$ 35,903,924.41</u>                                  | <u>\$ 14,397,635.89</u>                                      |
| <b>LIABILITIES AND FUND BALANCES</b> |  |  |  |  |
| Liabilities                          |  |  |  |  |
| Current Liabilities:                 |  |  |  |  |
| Payables from:                       |  |  |  |  |
| Accounts                             | \$ 812,767.81                              | \$ 260,438.90  | \$ 486,595.59  | \$ 789,129.49  |
| Payroll                              | 1,432,243.43                               |  | 5,867.16   |  |
| Interfund Payable (Note 12)          | 66,935.47                                  |  |  | 494,081.76   |
| Due To Other Agencies                |  | 30,878.68  | 937,644.39   | 1,483,771.37   |
| Deferred Revenue                     |  |  | 26,098,058.30  | 10,010,925.91  |
| Total Current Liabilities            | <u>2,311,946.71</u>                        | <u>291,317.58</u>  | <u>27,528,165.44</u>                                     | <u>12,777,908.53</u>   |
| Total Liabilities                    | <u>2,311,946.71</u>                        | <u>291,317.58</u>  | <u>27,528,165.44</u>                                     | <u>12,777,908.53</u>   |
| Fund Balances (Deficits):            |  |  |  |  |
| Nonspendable                         | -  |  |  |  |
| Restricted                           |  |  | 8,375,758.97   | 1,619,727.36   |
| Committed                            |  |  |  |  |
| Assigned                             | 108,335,113.97                             |  |  |  |
| Unassigned                           |  |  |  |  |
| Total Fund Balances                  | <u>108,335,113.97</u>                      | <u>-</u>   | <u>8,375,758.97</u>                                      | <u>1,619,727.36</u>  |
| Total Liabilities and Fund Balances  | <u>\$ 110,647,060.68</u>                   | <u>\$ 291,317.58</u>   | <u>\$ 35,903,924.41</u>                                  | <u>\$ 14,397,635.89</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)

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| Consolidated Accounts                                 |  |   |   |  |
|---|--|---|---|--|
| Criminal Justice<br>Planning<br>(0421)*<br>U/F (0421) | Rural Economic<br>Development<br>(0425)*<br>U/F (0425) | Hotel Occupancy<br>Tax for Economic<br>Development<br>(5003)*<br>U/F (5003) | Crime Stoppers<br>Assistance<br>(5012)*<br>U/F (5012) | Tourism<br>Plates<br>(5053)*<br>U/F (5053) |
| \$ 48,953,250.63                                      | \$ 394,363.40  | \$ 12,236,329.09  | \$ 765,886.63   | \$ 108,323.60                              |
| 2,153,928.50  | 265.57   |   |   |  |
|   |  | 2,477,419.69  |   |  |
| <u>51,107,179.13</u>                                  | <u>394,628.97</u>                                      | <u>14,713,748.78</u>  | <u>765,886.63</u>                                     | <u>108,323.60</u>                          |
| -   | -  | -   | -   | -  |
| <u>\$ 51,107,179.13</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 14,713,748.78</u>   | <u>\$ 765,886.63</u>                                  | <u>\$ 108,323.60</u>                       |
| \$ 3,545,689.96                                       | \$ -   | \$ 1,237,827.47   | \$ 49,469.34  | \$ -                                       |
| 104,826.64  |  | 106,638.94  |   |  |
| 30.44   |  | 72.30   |   |  |
| 1,632,837.13  |  |   | 854.48  |  |
| <u>5,283,384.17</u>                                   | <u>-</u>   | <u>1,344,538.71</u>   | <u>50,323.82</u>                                      | <u>-</u>                                   |
| 5,283,384.17  | -  | 1,344,538.71  | 50,323.82   | -  |
| 17,255,697.73   |  |   |   |  |
| 28,568,097.23   | 394,628.97   | 13,369,210.07   | 715,562.81  | 108,323.60                                 |
| <u>45,823,794.96</u>                                  | <u>394,628.97</u>                                      | <u>13,369,210.07</u>  | <u>715,562.81</u>                                     | <u>108,323.60</u>                          |
| <u>\$ 51,107,179.13</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 14,713,748.78</u>   | <u>\$ 765,886.63</u>                                  | <u>\$ 108,323.60</u>                       |

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OFFICE OF THE GOVERNOR

Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2011

|                                      | Consolidated Accounts                        |   |   |  |
|--------------------------------------|--|---|---|--|
|                                      | Texas<br>Enterprise<br>(5107)*<br>U/F (5107) | Economic<br>Development<br>and Tourism<br>(5110)*<br>U/F (5110) | Texas Music<br>Foundation Plates<br>(5113)*<br>U/F (5113) | Texas Military Value<br>Revolving Loan<br>(5114)*<br>U/F (5140, 5141,<br>5142, 5143) |
| <b>ASSETS</b>                        |  |   |   |  |
| Current Assets:                      |  |   |   |  |
| Cash                                 |  |   |   |  |
| Cash in State Treasury               | \$ 234,659,862.05                            | \$ 71,260.18  | \$ 11,898.88  | \$ 57,071.53   |
| Legislative Appropriations           |  |   |   |  |
| Receivables from:                    |  |   |   |  |
| Federal                              |  |   |   |  |
| Interest and Dividends               | 158,170.01                                   |   |   | 38.45  |
| Accounts Receivable                  |  |   |   |  |
| Interfund Receivables                |  |   |   |  |
| Due From Other Agencies              |  |   |   |  |
| Loans and Contracts                  |  |   |   | 465,000.00   |
| Total Current Assets                 | <u>234,818,032.06</u>                        | <u>71,260.18</u>  | <u>11,898.88</u>  | <u>522,109.98</u>  |
| Non-Current Assets:                  |  |   |   |  |
| Loans and Contracts                  | 338,397,196.00                               |   |   | 48,680,000.00  |
| Investments                          |  |   |   |  |
| Total Non-Current Assets             | <u>338,397,196.00</u>                        | <u>-</u>  | <u>-</u>  | <u>48,680,000.00</u>   |
| Total Assets                         | <u>\$ 573,215,228.06</u>                     | <u>\$ 71,260.18</u>   | <u>\$ 11,898.88</u>                                       | <u>\$ 49,202,109.98</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |  |   |   |  |
| Liabilities                          |  |   |   |  |
| Current Liabilities:                 |  |   |   |  |
| Payables from:                       |  |   |   |  |
| Accounts                             | \$ -   | \$ 79.84  | \$ 1,500.00   | \$ -   |
| Payroll                              |  |   |   |  |
| Interfund Payable                    |  |   |   |  |
| Due To Other Agencies                |  |   |   |  |
| Deferred Revenue                     |  |   |   |  |
| Total Current Liabilities            | <u>-</u>                                     | <u>79.84</u>  | <u>1,500.00</u>   | <u>-</u>   |
| Total Liabilities                    | <u>-</u>                                     | <u>79.84</u>  | <u>1,500.00</u>   | <u>-</u>   |
| Fund Balances (Deficits):            |  |   |   |  |
| Nonspendable                         |  |   |   |  |
| Restricted                           |  |   |   | 49,202,109.98  |
| Committed                            | 573,215,228.06                               | 71,180.34   | 10,398.88   |  |
| Assigned                             |  |   |   |  |
| Unassigned                           |  |   |   |  |
| Total Fund Balances                  | <u>573,215,228.06</u>                        | <u>71,180.34</u>  | <u>10,398.88</u>  | <u>49,202,109.98</u>   |
| Total Liabilities and Fund Balances  | <u>\$ 573,215,228.06</u>                     | <u>\$ 71,260.18</u>   | <u>\$ 11,898.88</u>                                       | <u>\$ 49,202,109.98</u>  |

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

UNAUDITED

| Consolidated Accounts   |   |  |                            |
|---|---|--|----------------------------|
| Daughters of the<br>Republic of<br>Texas<br>(5115)*<br>U/F (5115) | Emerging<br>Technology<br>(5124)*<br>U/F (5124) | BP Oil Spill Tx<br>Response Grant<br>(5149)*<br>U/F (5149) | Total<br>(Exhibit I)       |
| \$ 20,627.99  | \$ 142,228,202.64                               | \$ 5,035,346.39  | \$ 493,464,737.77          |
|   |   |  | 109,950,532.38             |
|   |   |  | 2,330,525.24               |
|   | 96,437.76                                       | 3,391.73   | 289,955.87                 |
|   | 842.83  |  | 1,547.83                   |
|   |   |  | 561,130.82                 |
|   | 2,965,605.77                                    |  | 7,040,031.97               |
|   | 4,500,000.00                                    |  | 4,965,000.00               |
| <u>20,627.99</u>  | <u>149,791,089.00</u>                           | <u>5,038,738.12</u>  | <u>618,603,461.88</u>      |
|   |   |  | 387,077,196.00             |
|   | 169,398,260.05                                  |  | 169,398,260.05             |
| <u>-</u>  | <u>169,398,260.05</u>                           | <u>-</u>   | <u>556,475,456.05</u>      |
| <u>\$ 20,627.99</u>   | <u>\$ 319,189,349.05</u>                        | <u>\$ 5,038,738.12</u>                                     | <u>\$ 1,175,078,917.93</u> |
| \$ 20,627.99  | \$ 674,650.27                                   | \$ -   | \$ 7,878,776.66            |
|   | 30,459.30                                       |  | 1,680,035.47               |
|   | 9.35  |  | 561,129.32                 |
|   | 31,035.00                                       |  | 4,117,021.05               |
|   |   |  | 36,108,984.21              |
| <u>20,627.99</u>  | <u>736,153.92</u>                               | <u>-</u>   | <u>50,345,946.71</u>       |
| <u>20,627.99</u>  | <u>736,153.92</u>                               | <u>-</u>   | <u>50,345,946.71</u>       |
|   |   |  | 76,453,294.04              |
|   | 318,453,195.13                                  | 5,038,738.12   | 939,944,563.21             |
|   |   |  | 108,335,113.97             |
| <u>-</u>  | <u>318,453,195.13</u>                           | <u>5,038,738.12</u>  | <u>1,124,732,971.22</u>    |
| <u>\$ 20,627.99</u>   | <u>\$ 319,189,349.05</u>                        | <u>\$ 5,038,738.12</u>                                     | <u>\$ 1,175,078,917.93</u> |

UNAUDITED

OFFICE OF THE GOVERNOR

Exhibit A-2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2011

|  | Consolidated Accounts                                 |  |  |   |
|--|---|--|--|---|
|  | General Revenue<br>Fund 0001<br>(0001)*<br>U/F (0001) | Operators &<br>Chauffeurs License<br>(0099)*<br>U/F (4541, 4542<br>4543, 4544, 4545) | Governor's Office<br>Federal Projects<br>(0224)*<br>U/F (0224) | American<br>Recovery &<br>Reinvest Act (Fed)<br>(0369)*<br>U/F (0369) |
| <b>REVENUE</b>                                   |   |  |  |   |
| Legislative Appropriations                       |   |  |  |   |
| Original Appropriations                          | \$ 13,336,177.00                                      | \$ -   | \$ -   | \$ -  |
| Additional Appropriations                        | 2,673,989.89  |  |  |   |
| Federal Revenue                                  | 1,128,246.05  |  | 21,350,503.89  | 33,486,053.92   |
| Federal Grant Pass-Through Revenue               | 911,169.12  |  |  | 7,205,000.68  |
| License, Fees & Permits                          | 2,200,985.10  |  |  |   |
| Interest and Other Investment Income             |   |  | 410,349.09   | 212,076.82  |
| Net Increase (Decrease) in Fair Value            |   |  |  |   |
| Sales of Goods and Services                      | 417,483.11  |  |  |   |
| Other  | 113,991.48  |  |  | 658.66  |
| Total Revenue                                    | <u>20,782,041.75</u>                                  | <u>-</u>   | <u>21,760,852.98</u>   | <u>40,903,790.08</u>  |
| <b>EXPENDITURES</b>                              |   |  |  |   |
| Salaries and Wages                               | 12,317,985.36   |  | 60,965.25  | 1,395,805.94  |
| Payroll Related Costs                            | 2,726,942.56  |  | 6,337.93   | 278,957.26  |
| Professional Fees and Services                   | 610,339.64  |  | 505,689.80   | 421,542.67  |
| Travel   | 269,081.63  |  | 6,434.12   | 25,648.61   |
| Materials and Supplies                           | 179,804.46  |  | 1,894.91   | 41,720.73   |
| Communication and Utilities                      | 288,625.98  |  | 5,337.59   | 3,038.91  |
| Repairs and Maintenance                          | 79,197.03   |  |  | 1,718.72  |
| Rentals and Leases                               | 307,939.85  |  | 9,313.33   | 2,891.60  |
| Printing and Reproduction                        | 30,990.42   |  | 60.68  | 47.51   |
| Federal Grant Pass-Through Expenditures          |   |  | 3,833,062.35   | 9,031,463.98  |
| State Grant Pass-Through Expenditures            | 5,126,114.50  | 125,102.14   |  |   |
| Intergovernmental Payments                       | 10,517,237.27   | 4,063,149.82   | 15,598,913.38  | 25,578,644.01   |
| Public Assistance Payments                       | 1,733,864.94  |  | 1,276,689.66   | 3,322,936.70  |
| Other Expenditures                               | 18,944,931.99   |  | 45,804.89  | 587,296.62  |
| Capital Outlay                                   | 8,791.99  |  |  |   |
| Total Expenditures                               | <u>53,141,847.62</u>                                  | <u>4,188,251.96</u>  | <u>21,350,503.89</u>   | <u>40,691,713.26</u>  |
| Excess (Deficiency) of Revenue over Expenditures | <u>(32,359,805.87)</u>                                | <u>(4,188,251.96)</u>  | <u>410,349.09</u>  | <u>212,076.82</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>            |   |  |  |   |
| Transfer In                                      | 288.84  | 987,458.95   |  |   |
| Transfer Out                                     | (25,127,177.66)                                       |  | (1,341.36)   | (495.99)  |
| Legislative Transfer In (Note 12)                | 11,826,734.32   |  |  |   |
| Legislative Transfer Out (Note 12)               | (2,262,202.16)  |  |  |   |
| Lapses   | (5,611,752.74)  |  |  |   |
| Total Other Financing Sources (Uses)             | <u>(21,174,109.40)</u>                                | <u>987,458.95</u>  | <u>(1,341.36)</u>  | <u>(495.99)</u>   |
| Net Change in Fund Balances                      | <u>(53,533,915.27)</u>                                | <u>(3,200,793.01)</u>  | <u>409,007.73</u>  | <u>211,580.83</u>   |
| <b>Fund Financial Statement - Fund Balances</b>  |   |  |  |   |
| Fund Balances, September 1, 2010                 | 161,869,029.24  | 3,200,793.01   | 7,966,751.24   | 1,408,146.53  |
| Restatements (Note 14)                           |   |  |  |   |
| Fund Balances, September 1, 2010, as Restated    | <u>161,869,029.24</u>                                 | <u>3,200,793.01</u>  | <u>7,966,751.24</u>  | <u>1,408,146.53</u>   |
| Appropriations Lapsed                            |   |  |  |   |
| Fund Balances, August 31, 2011                   | <u>\$ 108,335,113.97</u>                              | <u>\$ -</u>  | <u>\$ 8,375,758.97</u>   | <u>\$ 1,619,727.36</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                                 |  |   |   |  |
|---|--|---|---|--|
| Criminal Justice<br>Planning<br>(0421)*<br>U/F (0421) | Rural Economic<br>Development<br>(0425)*<br>U/F (0425) | Hotel Occupancy<br>Tax for Economic<br>Development<br>(5003)*<br>U/F (5003) | Crime Stoppers<br>Assistance<br>(5012)*<br>U/F (5012) | Tourism<br>Plates<br>(5053)*<br>U/F (5053) |
| \$ -  | \$ -   | \$ -  | \$ -  | \$ -                                       |
| 46,689,299.23   |  |   |   |  |
| 24,219,948.57   |  |   | 513,560.29  | 22,450.53                                  |
|   | 3,328.23   |   |   |  |
|   |  | 30,605.17   |   |  |
| 9,062.97  |  | 3,844.74  |   |  |
| <u>70,918,310.77</u>                                  | <u>3,328.23</u>  | <u>34,449.91</u>  | <u>513,560.29</u>                                     | <u>22,450.53</u>                           |
| 1,173,028.31  |  | 1,132,071.85  |   |  |
| 331,855.59  |  | 272,838.88  |   |  |
| 3,282,067.71  |  | 3,419,543.37  | 278,635.00  |  |
| 34,667.84   |  | 18,734.63   |   |  |
| 3,195.27  |  | 11,148.18   |   |  |
| 8,488.77  |  | 114,215.91  |   |  |
| 14,794.12   |  | 53,888.86   |   |  |
| 108.58  |  | 177.17  |   |  |
| 1,550,914.48  |  |   |   |  |
| 3,225,790.90  |  |   | (442.99)  |  |
| 18,405,501.43   |  |   |   |  |
| 40,151,976.14   |  |   | 322,571.17  |  |
| 194,572.83  |  | 21,287,938.93   |   |  |
| <u>68,376,961.97</u>                                  | <u>-</u>   | <u>26,310,557.78</u>  | <u>600,763.18</u>                                     | <u>-</u>                                   |
| <u>2,541,348.80</u>                                   | <u>3,328.23</u>  | <u>(26,276,107.87)</u>  | <u>(87,202.89)</u>                                    | <u>22,450.53</u>                           |
|   |  | 29,521,301.92   |   |  |
|   |  | (150,000.00)  |   |  |
| <u>-</u>  | <u>-</u>   | <u>29,371,301.92</u>  | <u>-</u>  | <u>-</u>                                   |
| <u>2,541,348.80</u>                                   | <u>3,328.23</u>  | <u>3,095,194.05</u>   | <u>(87,202.89)</u>                                    | <u>22,450.53</u>                           |
| 42,943,128.30   | 391,300.74   | 10,274,016.02   | 802,765.70  | 85,873.07                                  |
| 339,317.86  |  |   |   |  |
| <u>43,282,446.16</u>                                  | <u>391,300.74</u>                                      | <u>10,274,016.02</u>  | <u>802,765.70</u>                                     | <u>85,873.07</u>                           |
| <u>\$ 45,823,794.96</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 13,369,210.07</u>   | <u>\$ 715,562.81</u>                                  | <u>\$ 108,323.60</u>                       |

UNAUDITED

OFFICE OF THE GOVERNOR

Exhibit A-2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2011

|  | Consolidated Accounts               |  |  |  |
|--|-------------------------------------|--|--|--|
|  | Texas Enterprise (5107)* U/F (5107) | Development and Tourism (5110)* U/F (5110) | Texas Music Foundation Plates (5113)* U/F (5113) | Texas Military Loan (5114)* U/F (5140, 5141, 5142, 5143) |
| <b>REVENUE</b>                                   |                                     |  |  |  |
| Legislative Appropriations                       |                                     |  |  |  |
| Original Appropriations                          | \$ -                                | \$ -                                       | \$ -   | \$ -   |
| Additional Appropriations                        |                                     |  |  |  |
| Federal Revenue                                  |                                     |  |  |  |
| Federal Grant Pass-Through Revenue               |                                     |  |  |  |
| License, Fees & Permits                          | 2,605,951.00                        | 8,171.06                                   | 9,924.48   |  |
| Interest and Other Investment Income             | 2,114,031.55                        |  |  | 2,489,696.17   |
| Net Increase (Decrease) in Fair Value            |                                     |  |  |  |
| Sales of Goods and Services                      |                                     |  |  |  |
| Other  |                                     |  |  |  |
| Total Revenue                                    | <u>4,719,982.55</u>                 | <u>8,171.06</u>                            | <u>9,924.48</u>                                  | <u>2,489,696.17</u>                                      |
| <b>EXPENDITURES</b>                              |                                     |  |  |  |
| Salaries and Wages                               |                                     |  |  |  |
| Payroll Related Costs                            |                                     |  |  |  |
| Professional Fees and Services                   |                                     |  |  |  |
| Travel   |                                     | 2,070.51                                   |  |  |
| 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                       |                                     |  | 11,778.75  |  |
| Public Assistance Payments                       |                                     |  |  |  |
| Other Expenditures                               | 535,531.00                          | 420.00                                     |  |  |
| Capital Outlay                                   |                                     |  |  |  |
| Total Expenditures                               | <u>535,531.00</u>                   | <u>2,490.51</u>                            | <u>11,778.75</u>                                 | <u>-</u>   |
| Excess (Deficiency) of Revenue over Expenditures | <u>4,184,451.55</u>                 | <u>5,680.55</u>                            | <u>(1,854.27)</u>                                | <u>2,489,696.17</u>                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                                     |  |  |  |
| Transfer In                                      |                                     |  |  | 7,014.39   |
| Transfer Out                                     |                                     |  |  | (2,944,942.31)   |
| Legislative Transfer In                          |                                     |  |  |  |
| Legislative Transfer Out                         |                                     |  |  |  |
| Lapses   |                                     |  |  |  |
| Total Other Financing Sources (Uses)             | <u>-</u>                            | <u>-</u>                                   | <u>-</u>   | <u>(2,937,927.92)</u>                                    |
| Net Change in Fund Balances                      | <u>4,184,451.55</u>                 | <u>5,680.55</u>                            | <u>(1,854.27)</u>                                | <u>(448,231.75)</u>                                      |
| <b>Fund Financial Statement - Fund Balances</b>  |                                     |  |  |  |
| Fund Balances, September 1, 2010                 | 569,030,776.51                      | 65,499.79                                  | 12,253.15  | 47,730,866.16  |
| Restatements (Note 14)                           |                                     |  |  | 1,919,475.57   |
| Fund Balances, September 1, 2010, as Restated    | <u>569,030,776.51</u>               | <u>65,499.79</u>                           | <u>12,253.15</u>                                 | <u>49,650,341.73</u>                                     |
| Appropriations Lapsed                            |                                     |  |  |  |
| Fund Balances, August 31, 2011                   | <u>\$ 573,215,228.06</u>            | <u>\$ 71,180.34</u>                        | <u>\$ 10,398.88</u>                              | <u>\$ 49,202,109.98</u>                                  |

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

UNAUDITED

| Consolidated Accounts  |   |  |                       |
|--|---|--|-----------------------|
| Daughters of the<br>Republic of Texas<br>(5115)*<br>U/F (5115) | Emerging<br>Technology<br>(5124)*<br>U/F (5124) | BP Oil Spill Tx<br>Response Grant<br>(5149)*<br>U/F (5149) | Total<br>(Exhibit II) |
| \$ -   | \$ -  | \$ -   | \$ 13,336,177.00      |
|  |   |  | 2,673,989.89          |
|  |   |  | 102,654,103.09        |
|  |   |  | 8,116,169.80          |
| 81,457.36  |   |  | 29,662,448.39         |
|  | 1,226,360.24                                    | 38,738.12  | 6,494,580.22          |
|  | 7,657,789.90                                    |  | 7,657,789.90          |
|  |   |  | 448,088.28            |
|  | 13,909.63                                       | 5,000,000.00   | 5,141,467.48          |
| 81,457.36  | 8,898,059.77                                    | 5,038,738.12   | 176,184,814.05        |
|  | 356,157.34                                      |  | 16,436,014.05         |
|  | 86,208.73                                       |  | 3,703,140.95          |
|  | 45,475.20                                       |  | 8,563,293.39          |
|  | 13,962.74                                       |  | 370,600.08            |
|  | 656.77  |  | 238,420.32            |
|  | 5,580.04  |  | 425,287.20            |
|  |   |  | 80,915.75             |
|  | 2,423.57  |  | 391,251.33            |
|  | 41.60   |  | 31,425.96             |
|  |   |  | 14,415,440.81         |
|  | 5,466,369.95                                    |  | 13,942,934.50         |
| 81,457.36  | 1,337,700.00                                    |  | 74,175,224.66         |
|  | 41,258.71                                       |  | 48,227,195.97         |
|  |   |  | 41,637,754.97         |
| 81,457.36  | 7,355,834.65                                    | -  | 8,791.99              |
|  |   |  | 222,647,691.93        |
| -  | 1,542,225.12                                    | 5,038,738.12   | (46,462,877.88)       |
|  | 32,714,706.23                                   |  | 63,230,770.33         |
|  |   |  | (28,223,957.32)       |
|  |   |  | 11,826,734.32         |
|  |   |  | (2,262,202.16)        |
| -  | 32,714,706.23                                   | -  | (5,611,752.74)        |
|  |   |  | 38,959,592.43         |
| -  | 34,256,931.35                                   | 5,038,738.12   | (7,503,285.45)        |
|  | 153,925,938.53                                  |  | 999,707,137.99        |
|  | 130,270,325.25                                  |  | 132,529,118.68        |
| -  | 284,196,263.78                                  | -  | 1,132,236,256.67      |
| \$ -   | \$ 318,453,195.13                               | \$ 5,038,738.12  | \$ 1,124,732,971.22   |

UNAUDITED

OFFICE OF THE GOVERNOR

Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended August 31, 2011

|  | Beginning<br>Balance<br>September 1, 2010 | Additions          | Deductions         | Ending<br>Balance<br>August 31, 2011 |
|--|---|--------------------|--------------------|--------------------------------------|
| <b>Employee Savings Bond</b>             |   |                    |                    |                                      |
| <b>Account (0901), U/F (0901)*</b>       |   |                    |                    |                                      |
| <b>ASSETS</b>                            |   |                    |                    |                                      |
| Cash in State Treasury                   | \$ 150.00                                 | \$ 450.00          | \$ 600.00          | \$ -                                 |
| Total Assets                             | <u>\$ 150.00</u>                          | <u>\$ 450.00</u>   | <u>\$ 600.00</u>   | <u>\$ -</u>                          |
| <b>LIABILITIES</b>                       |   |                    |                    |                                      |
| Funds Held for Others                    | \$ 150.00                                 | \$ 450.00          | \$ 600.00          | \$ -                                 |
| Total Liabilities                        | <u>\$ 150.00</u>                          | <u>\$ 450.00</u>   | <u>\$ 600.00</u>   | <u>\$ -</u>                          |
| <b>Child Support Employee Deductable</b> |   |                    |                    |                                      |
| <b>Account (0807), U/F (0807)*</b>       |   |                    |                    |                                      |
| <b>ASSETS</b>                            |   |                    |                    |                                      |
| Cash in State Treasury                   | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Assets                             | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</u>                     |
| <b>LIABILITIES</b>                       |   |                    |                    |                                      |
| Funds Held for Others                    | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Liabilities                        | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</u>                     |
| <b>Totals - All Agency Funds</b>         |   |                    |                    |                                      |
| <b>ASSETS</b>                            |   |                    |                    |                                      |
| Cash in State Treasury                   | \$ 548.70                                 | \$ 3,740.90        | \$ 3,789.60        | \$ 500.00                            |
| Total Assets                             | <u>\$ 548.70</u>                          | <u>\$ 3,740.90</u> | <u>\$ 3,789.60</u> | <u>\$ 500.00</u>                     |
| <b>LIABILITIES</b>                       |   |                    |                    |                                      |
| Funds Held for Others                    | \$ 548.70                                 | \$ 3,740.90        | \$ 3,789.60        | \$ 500.00                            |
| Total Liabilities                        | <u>\$ 548.70</u>                          | <u>\$ 3,740.90</u> | <u>\$ 3,789.60</u> | <u>\$ 500.00</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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UNAUDITED

Office of the Governor - Trusteed Programs (300)

SCHEDULE 1A - Combining Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended August 31, 2011

| Federal Grantor /<br>Pass-Through Grantor                         | Federal<br>CFDA<br>Number | Pass-Through From            |                                | Direct<br>Program<br>Amount | Total<br>Pass-Through From<br>and Direct Program |
|---|---------------------------|------------------------------|--------------------------------|-----------------------------|--|
|   |                           | Agency<br>or Univ.<br>Number | Agencies<br>or Univ.<br>Amount |                             |  |
| <b>U.S. Department of Justice</b>                                 |                           |                              |                                |                             |  |
| <b>Sexual Assault Services Formula Program</b>                    | <b>16.017</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Non-State Entities  |                           |                              | \$ -                           | \$ 474,703.84               | \$ 474,703.84                                    |
| <b>Juvenile Accountability Incentive Block Grants</b>             | <b>16.523</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Juvenile Probation Commission                               |                           |                              |                                | 510,437.31                  | 510,437.31                                       |
| Non-State Entities  |                           |                              |                                | 3,100,425.92                | 3,100,425.92                                     |
| <b>Juvenile Justice and Delinquency Prevention</b>                | <b>16.540</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Juvenile Probation Commission                               |                           |                              |                                | 222,360.00                  | 222,360.00                                       |
| University of Texas at Arlington                                  |                           |                              |                                | 94,240.35                   | 94,240.35  |
| Texas State University at San Marcos                              |                           |                              |                                | 6,995.11                    | 6,995.11   |
| Non-State Entities  |                           |                              |                                | 4,895,504.93                | 4,895,504.93                                     |
| <b>Crime Victim Assistance</b>                                    | <b>16.575</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Department of Public Safety                                 |                           |                              |                                | 252,580.39                  | 252,580.39                                       |
| Non-State Entities  |                           |                              |                                | 28,899,735.30               | 28,899,735.30                                    |
| <b>Violence Against Women Formula Grants</b>                      | <b>16.588</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Office of Court Administration                                    |                           |                              |                                | 146,242.19                  | 146,242.19                                       |
| Non-State Entities  |                           |                              |                                | 7,803,163.47                | 7,803,163.47                                     |
| <b>Residential Substance Abuse Treatment for State Prisoners</b>  | <b>16.593</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Non-State Entities  |                           |                              |                                | 1,898,956.88                | 1,898,956.88                                     |
| <b>Bulletproof Vest Partnership Program</b>                       | <b>16.607</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Attorney General's Office   |                           |                              |                                | 16,257.93                   | 16,257.93  |
| Texas Department of Public Safety                                 |                           |                              |                                | 23,698.03                   | 23,698.03  |
| Texas Department of Criminal Justice                              |                           |                              |                                | 191,733.17                  | 191,733.17                                       |
| Texas A&M University (Main University)                            |                           |                              |                                | 6,824.58                    | 6,824.58   |
| Texas State Technical College System                              |                           |                              |                                | 2,115.00                    | 2,115.00   |
| University of Texas Southwestern Medical Center of Dallas         |                           |                              |                                | 5,164.66                    | 5,164.66   |
| University of Texas at Brownsville                                |                           |                              |                                | 3,030.50                    | 3,030.50   |
| University of North Texas   |                           |                              |                                | 13,675.48                   | 13,675.48  |
| Texas State University at San Marcos                              |                           |                              |                                | 5,413.85                    | 5,413.85   |
| West Texas A&M University   |                           |                              |                                | 1,269.80                    | 1,269.80   |
| University of Texas Health Center at Tyler                        |                           |                              |                                | 2,062.50                    | 2,062.50   |
| <b>Edward Byrne Memorial Justice Assistance Grant Program</b>     | <b>16.738</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Attorney General's Office   |                           |                              |                                | 369,073.52                  | 369,073.52                                       |
| Texas Department of Public Safety                                 |                           |                              |                                | 335,470.74                  | 335,470.74                                       |
| Texas Alcoholic Beverage Commission                               |                           |                              |                                | 310,736.37                  | 310,736.37                                       |
| Texas Department of Motor Vehicles                                |                           |                              |                                | 194,026.73                  | 194,026.73                                       |
| Texas Department of Criminal Justice                              |                           |                              |                                | 509,628.19                  | 509,628.19                                       |
| Texas State University at San Marcos                              |                           |                              |                                | 1,603,689.49                | 1,603,689.49                                     |
| Non-State Entities  |                           |                              |                                | 14,839,274.92               | 14,839,274.92                                    |
| <b>Forensic DNA Backlog Reduction Program</b>                     | <b>16.741</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Tech University   |                           |                              |                                | 215,075.40                  | 215,075.40                                       |
| <b>Paul Coverdell Forensic Sciences Improvement Grant Program</b> | <b>16.742</b>             |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Department of Public Safety                                 |                           |                              |                                | 313,029.00                  | 313,029.00                                       |
| Texas Department of Insurance                                     |                           |                              |                                | 220,879.71                  | 220,879.71                                       |
| Non-State Entities  |                           |                              |                                | 1,366,458.64                | 1,366,458.64                                     |
| <b>Total U.S. Department of Justice</b>                           |                           |                              |                                | <b>68,853,933.90</b>        | <b>68,853,933.90</b>                             |

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| Agency<br>or Univ.<br>Number | Pass-Through To                |                                 | Expenditure<br>Amount | Total<br>Pass-Through To<br>and Expenditures |
|------------------------------|--------------------------------|---------------------------------|-----------------------|--|
|                              | Agencies<br>or Univ.<br>Amount | Non-State<br>Entities<br>Amount |                       |  |
|                              | \$ -                           | \$ 474,703.84                   | \$ -                  | \$ 474,703.84                                |
| 665                          | 510,437.31                     | 3,003,811.82                    | 96,614.10             | 510,437.31<br>3,100,425.92                   |
| 665                          | 222,360.00                     |                                 |                       | 222,360.00                                   |
| 714                          | 94,240.35                      |                                 |                       | 94,240.35                                    |
| 754                          | 6,995.11                       | 4,556,808.83                    | 338,696.10            | 6,995.11<br>4,895,504.93                     |
| 405                          | 252,580.39                     | 27,348,365.94                   | 1,551,369.36          | 252,580.39<br>28,899,735.30                  |
| 212                          | 146,242.19                     | 7,047,197.01                    | 755,966.46            | 146,242.19<br>7,803,163.47                   |
|                              |                                | 1,898,887.88                    | 69.00                 | 1,898,956.88                                 |
| 302                          | 16,257.93                      |                                 |                       | 16,257.93                                    |
| 405                          | 23,698.03                      |                                 |                       | 23,698.03                                    |
| 696                          | 191,733.17                     |                                 |                       | 191,733.17                                   |
| 711                          | 6,824.58                       |                                 |                       | 6,824.58                                     |
| 719                          | 2,115.00                       |                                 |                       | 2,115.00                                     |
| 729                          | 5,164.66                       |                                 |                       | 5,164.66                                     |
| 747                          | 3,030.50                       |                                 |                       | 3,030.50                                     |
| 752                          | 13,675.48                      |                                 |                       | 13,675.48                                    |
| 754                          | 5,413.85                       |                                 |                       | 5,413.85                                     |
| 757                          | 1,269.80                       |                                 |                       | 1,269.80                                     |
| 785                          | 2,062.50                       |                                 |                       | 2,062.50                                     |
| 302                          | 369,073.52                     |                                 |                       | 369,073.52                                   |
| 405                          | 335,470.74                     |                                 |                       | 335,470.74                                   |
| 458                          | 310,736.37                     |                                 |                       | 310,736.37                                   |
| 608                          | 194,026.73                     |                                 |                       | 194,026.73                                   |
| 696                          | 509,628.19                     |                                 |                       | 509,628.19                                   |
| 754                          | 1,603,689.49                   | 13,871,791.22                   | 967,483.70            | 1,603,689.49<br>14,839,274.92                |
| 733                          | 215,075.40                     |                                 |                       | 215,075.40                                   |
| 405                          | 313,029.00                     |                                 |                       | 313,029.00                                   |
| 454                          | 220,879.71                     | 1,366,458.64                    |                       | 220,879.71<br>1,366,458.64                   |
|                              | <u>5,575,710.00</u>            | <u>59,568,025.18</u>            | <u>3,710,198.72</u>   | <u>68,853,933.90</u>                         |

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Office of the Governor - Trusteed Programs (300)

SCHEDULE 1A - Combining Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2011

| Federal Grantor /<br>Pass-Through Grantor   | Federal<br>CFDA<br>Number | Pass-Through From            |                                | Direct<br>Program<br>Amount | Total<br>Pass-Through From<br>and Direct Program |
|---|---------------------------|------------------------------|--------------------------------|-----------------------------|--|
|   |                           | Agency<br>or Univ.<br>Number | Agencies<br>or Univ.<br>Amount |                             |  |
| <b><u>American Recovery and Reinvestment Act</u></b>  |                           |                              |                                |                             |  |
| <b>U.S. Department of Justice</b>   |                           |                              |                                |                             |  |
| ARRA - Violence Against Women Formula Grants  | 16.588                    |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| University of Texas at Arlington  |                           |                              | \$ -                           | \$ 54,647.64                | \$ 54,647.64                                     |
| University of Texas at Austin   |                           |                              |                                | 257,796.26                  | 257,796.26                                       |
| Texas A&M University - Commerce   |                           |                              |                                | 62,773.28                   | 62,773.28  |
| Non-State Entities  |                           |                              |                                | 6,747,971.82                | 6,747,971.82                                     |
| ARRA - Recovery Act - State Victim Assistance Formula Grant Program   | 16.801                    |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Non-State Entities  |                           |                              |                                | 224,839.41                  | 224,839.41                                       |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803                    |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Department of Public Safety   |                           |                              |                                | 3,785,125.10                | 3,785,125.10                                     |
| Texas Alcoholic Beverage Commission   |                           |                              |                                | 285,722.43                  | 285,722.43                                       |
| Texas Youth Commission  |                           |                              |                                | 253,476.38                  | 253,476.38                                       |
| Texas Department of Criminal Justice  |                           |                              |                                | 1,895,870.28                | 1,895,870.28                                     |
| Parks and Wildlife Department   |                           |                              |                                | 487,741.11                  | 487,741.11                                       |
| Non-State Entities  |                           |                              |                                | 19,433,268.21               | 19,433,268.21                                    |
| <b>Total American Recovery &amp; Reinvestment Act - U.S. Department of Justice</b>                                  |                           |                              | <b>-</b>                       | <b>33,489,231.92</b>        | <b>33,489,231.92</b>                             |
| <b><u>U.S. Department of Education</u></b>  |                           |                              |                                |                             |  |
| Safe & Drug-Free Schools & Communities State Grants   | 84.186                    |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Non-State Entities  |                           |                              |                                | 502,670.44                  | 502,670.44                                       |
| <b>Total U.S. Department of Education</b>   |                           |                              | <b>-</b>                       | <b>502,670.44</b>           | <b>502,670.44</b>                                |
| <b><u>Homeland Security Cluster</u></b>   |                           |                              |                                |                             |  |
| <b>Department of Homeland Security</b>  |                           |                              |                                |                             |  |
| Homeland Security Grant Program   | 97.067                    |                              |                                |                             |  |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas Department of Public Safety   |                           | 405                          | 486.52                         |                             | 486.52   |
| <b>Total Department of Homeland Security</b>  |                           |                              | <b>486.52</b>                  | <b>-</b>                    | <b>486.52</b>                                    |
| <b><u>State Fiscal Stabilization Fund Cluster</u></b>   |                           |                              |                                |                             |  |
| <b>U.S. Department of Education</b>   |                           |                              |                                |                             |  |
| ARRA-State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act                                       | 84.397                    |                              |                                |                             |  |
| Pass-Through From:  |                           |                              |                                |                             |  |
| Texas Higher Education Coordinating Board   |                           | 781                          | 7,205,000.68                   |                             | 7,205,000.68                                     |
| Pass-Through To:  |                           |                              |                                |                             |  |
| Texas State Technical College System  |                           |                              |                                |                             |  |
| Non-State Entities  |                           |                              |                                |                             |  |
| <b>Total State Fiscal Stabilization Fund - U.S. Department of Education</b>   |                           |                              | <b>7,205,000.68</b>            | <b>-</b>                    | <b>7,205,000.68</b>                              |
| <b><u>WIA Cluster</u></b>   |                           |                              |                                |                             |  |
| <b>U.S. Department of Labor</b>   |                           |                              |                                |                             |  |
| WIA Youth Activities  | 17.259                    |                              |                                |                             |  |
| Pass-Through From:  |                           |                              |                                |                             |  |
| Texas Workforce Commission  |                           | 320                          | 910,682.60                     |                             | 910,682.60                                       |
| <b>Total U.S. Department of Labor</b>   |                           |                              | <b>910,682.60</b>              | <b>-</b>                    | <b>910,682.60</b>                                |
| <b>Total Federal Assistance</b>   |                           |                              | <b>\$ 8,116,169.80</b>         | <b>\$ 102,845,836.26</b>    | <b>\$ 110,962,006.06</b>                         |

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| Agency<br>or Univ.<br>Number | Pass-Through To                |                                 | Expenditure<br>Amount  | Total<br>Pass-Through To<br>and Expenditures |
|------------------------------|--------------------------------|---------------------------------|------------------------|--|
|                              | Agencies<br>or Univ.<br>Amount | Non-State<br>Entities<br>Amount |                        |  |
| 714                          | \$ 54,647.64                   |                                 |                        | \$ 54,647.64                                 |
| 721                          | 257,796.26                     |                                 |                        | 257,796.26                                   |
| 751                          | 62,773.28                      |                                 |                        | 62,773.28                                    |
|                              |                                | 6,743,928.62                    | 4,043.20               | 6,747,971.82                                 |
|                              |                                | 224,839.41                      |                        | 224,839.41                                   |
| 405                          | 3,785,125.10                   |                                 |                        | 3,785,125.10                                 |
| 458                          | 285,722.43                     |                                 |                        | 285,722.43                                   |
| 694                          | 253,476.38                     |                                 |                        | 253,476.38                                   |
| 696                          | 1,895,870.28                   |                                 |                        | 1,895,870.28                                 |
| 802                          | 487,741.11                     |                                 |                        | 487,741.11                                   |
|                              |                                | 18,881,124.18                   | 552,144.03             | 19,433,268.21                                |
|                              | <u>7,083,152.48</u>            | <u>25,849,892.21</u>            | <u>556,187.23</u>      | <u>33,489,231.92</u>                         |
|                              |                                | 458,731.03                      | 43,939.41              | 502,670.44                                   |
|                              | <u>-</u>                       | <u>458,731.03</u>               | <u>43,939.41</u>       | <u>502,670.44</u>                            |
|                              |                                |                                 | 486.52                 | 486.52                                       |
|                              | <u>-</u>                       | <u>-</u>                        | <u>486.52</u>          | <u>486.52</u>                                |
| 719                          | 1,948,311.50                   |                                 |                        | 1,948,311.50                                 |
|                              |                                | 3,051,688.50                    | 2,205,000.68           | 5,256,689.18                                 |
|                              | <u>1,948,311.50</u>            | <u>3,051,688.50</u>             | <u>2,205,000.68</u>    | <u>7,205,000.68</u>                          |
|                              |                                | 477,269.47                      | 433,413.13             | 910,682.60                                   |
|                              | <u>-</u>                       | <u>477,269.47</u>               | <u>433,413.13</u>      | <u>910,682.60</u>                            |
|                              | <u>\$ 14,607,173.98</u>        | <u>\$ 89,405,606.39</u>         | <u>\$ 6,949,225.69</u> | <u>\$ 110,962,006.06</u>                     |

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Office of the Governor - Trusteed Programs (300)  
**SCHEDULE 1A - COMBINING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended August 31, 2011**

NOTE 1: 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)   | \$ 102,654,103.09        |
| Federal Pass-Through Revenue (Exh. II)  | <u>8,116,169.80</u>      |
| Total   | 110,770,272.89           |
| Reconciling Item:   |                          |
| Restatement due to correction of PY Pass-through by Agy 696   | <u>191,733.17</u>        |
| Total Pass-Through and Expenditures per Schedule of Expenditures of Federal Awards  | <u>\$ 110,962,006.06</u> |

NOTES 3 - 6: Not Applicable

NOTE 7: Federal Deferred Revenue

| <u>CFDA</u>  | <u>Balance</u><br><u>September 1, 2010</u> | <u>Net Change</u>         | <u>Balance</u><br><u>August 31, 2011</u> |
|--------------|--|---------------------------|--|
| 16.523       | \$ 5,392,239.22                            | \$ (3,794,611.61)         | \$ 1,597,627.61                          |
| 16.738       | 42,788,556.86                              | (18,288,126.17)           | 24,500,430.69                            |
| 16.803       | 36,152,129.42                              | (26,141,203.51)           | 10,010,925.91                            |
| 84.186       | 183,823.65                                 | (183,823.65)              | -  |
| <b>TOTAL</b> | <u>\$ 84,516,749.15</u>                    | <u>\$ (48,407,764.94)</u> | <u>\$ 36,108,984.21</u>                  |

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

## Office of the Governor - Trusteed Programs (300)

SCHEDULE 1B - Schedule of State Pass Throughs From/To State Agencies/Universities  
For the Fiscal Year Ended August 31, 2011

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

| Fund   | Pass-Through To:   | Amount of Pass-Through  |
|--|--|-------------------------|
| Fund 0001  | Disaster Grants  |                         |
|  | Adjutant General's Department (401)                              | \$ 2,382,592.99         |
|  | Texas Department of Public Safety (405)                          | 2,743,521.51            |
| <b>Subtotal Pass-Through from Fund 0001</b>              |  | <b>\$ 5,126,114.50</b>  |
| Fund 0099  | TX Border Security   |                         |
|  | Texas Department of Public Safety (405)                          | \$ 125,102.14           |
| <b>Subtotal Pass-Through from Fund 0099</b>              |  | <b>\$ 125,102.14</b>    |
| Fund 0421  | Innocence Project Expansion                                      |                         |
|  | Office of Court Administration (212)                             | \$ 250,241.46           |
|  | Prosecution of Prison Crimes                                     |                         |
|  | Comptroller's Judiciary Section, District Courts (241)           | 1,507,607.00            |
|  | Amber Alert  |                         |
|  | Texas Department of Public Safety (405)                          | 62,670.00               |
|  | Survey of Juvenile Detainees                                     |                         |
|  | Commission on Jail Standards (409)                               | 31,150.00               |
|  | Office of the Independent Ombudsman Expanded Services            |                         |
|  | Texas Youth Commission (694)                                     | 38,095.54               |
|  | Disproportionate Minority Contract                               |                         |
|  | Texas A&M University (Main University) (711)                     | 687.89                  |
|  | Suspending Kids to School  |                         |
|  | Texas A&M University (Main University) (711)                     | 48,579.67               |
|  | Staying Connected - A Child Abuse and Neglect Prevention Program |                         |
|  | University of Texas at Arlington (714)                           | 1,644.43                |
|  | Advanced Law Enforcement Rapid Response Training (ALERRT)        |                         |
|  | Texas State University - San Marcos (754)                        | 949,601.00              |
|  | Institute for Criminal Justice Studies (ICJS)                    |                         |
|  | Texas State University - San Marcos (754)                        | 275,786.43              |
|  | Keep Kids in School  |                         |
|  | Texas State University - San Marcos (754)                        | 59,727.48               |
| <b>Subtotal Pass-Through from Fund 0421</b>              |  | <b>\$ 3,225,790.90</b>  |
| Fund 5012  | Texas Top 10 Technology Enhancement                              |                         |
|  | Texas Department of Public Safety (405)                          | \$ 8,057.01             |
|  | Behind the Walls   |                         |
|  | Texas Department of Criminal Justice (696)                       | (8,500.00)              |
| <b>Subtotal Pass-Through from Fund 5012</b>              |  | <b>\$ (442.99)</b>      |
| Fund 5124  | Emerging Technology Grants                                       |                         |
|  | University of Texas at El Paso (724)                             | \$ 1,600,000.00         |
|  | Texas Tech University (733)                                      | 1,274,491.32            |
|  | University of Texas at Dallas (738)                              | 2,560,000.00            |
|  | Texas State University - San Marcos (754)                        | 31,878.63               |
| <b>Subtotal Pass-Through from Fund 5124</b>              |  | <b>\$ 5,466,369.95</b>  |
| <b>Total Pass-Through to Other Agencies (Exhibit II)</b> |  | <b>\$ 13,942,934.50</b> |

UNAUDITED

Office of the Governor - Trustee Programs (300)  
 Schedule 2A - Miscellaneous Bond Information  
 For the Fiscal Year Ended August 31, 2011

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 | 10,365,000.00           | 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       |
| <b>Total:</b>   | <b>\$ 94,145,000.00</b> |                         |        |                                 |                      |           |                 |

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 | \$ 60,000,000.00        | VAR                     | VAR | Weekly                          | 1986                 | 2026      | 10/8/1986       |
| <b>Total:</b>                             | <b>\$ 60,000,000.00</b> |                         |     |                                 |                      |           |                 |

UNAUDITED

Office of the Governor - Trustee Programs (300)  
 Schedule 2B - Changes in Bonded Indebtedness  
 For the Fiscal Year Ended August 31, 2011

Governmental Activities

| Description of Issue                               | Bonds Outstanding<br>9/1/2010 | Bonds<br>Issued | Bonds Matured or<br>Retired | Bonds<br>Refunded or<br>Extinguished | Bonds Outstanding<br>8/31/2011 | Net Bonds<br>Outstanding<br>(Ending) | Amounts Due<br>Within One<br>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              | \$ -            | \$ 450,000.00               | \$ -                                 | \$ 10,365,000.00               | \$ 10,365,000.00                     | \$ 465,000.00                     |
| 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<br>9/1/2010 | Bonds<br>Issued | Bonds Matured or<br>Retired | Bonds<br>Refunded or<br>Extinguish | Bonds Outstanding<br>8/31/2011 | Net Bonds<br>Outstanding<br>(Ending) | Amounts Due<br>Within One<br>Year |
|---|-------------------------------|-----------------|-----------------------------|------------------------------------|--------------------------------|--------------------------------------|-----------------------------------|
| <u>Revenue Bonds - Self-Supporting:</u> |                               |                 |                             |                                    |                                |                                      |                                   |
| TSBIDC Floating Rate                    |                               |                 |                             |                                    |                                |                                      |                                   |
| Dem Rev Bds Ser 1986                    | \$ 60,000,000.00              | \$ -            | \$ -                        | \$ -                               | \$ 60,000,000.00               | \$ 60,000,000.00                     | \$ -                              |

UNAUDITED

Office of the Governor - Trustee Programs (300)  
 Schedule 2C - Debt Service Requirements  
 For the Fiscal Year Ended August 31, 2011

Governmental Activities

| Description of Issue                                     | FY          | Principal               | Interest               |
|--|-------------|-------------------------|------------------------|
| <u>General Obligation Bonds - Self-Supporting:</u>       |             |                         |                        |
| Product Development Var Rate Demand Bonds Series 2005A   |             |                         |                        |
|  | 2012        | \$ -                    | \$ 52,500.00           |
|  | 2013        |                         | 52,500.00              |
|  | 2014        |                         | 52,500.00              |
|  | 2015        |                         | 52,500.00              |
|  | 2016        |                         | 52,500.00              |
|  | 2017 - 2021 |                         | 262,500.00             |
|  | 2022 - 2026 |                         | 262,500.00             |
|  | 2027 - 2031 |                         | 262,500.00             |
|  | 2032 - 2036 |                         | 262,500.00             |
|  | 2037 - 2041 |                         | 262,500.00             |
|  | 2042 - 2045 | 25,000,000.00           | 210,000.00             |
|  |             | <u>\$ 25,000,000.00</u> | <u>\$ 1,785,000.00</u> |
|  |             |                         |                        |
| Small Incubator Var Rate Demand Bonds Series 2005B       |             |                         |                        |
|  | 2012        | \$ -                    | \$ 42,000.00           |
|  | 2013        |                         | 42,000.00              |
|  | 2014        |                         | 42,000.00              |
|  | 2015        |                         | 42,000.00              |
|  | 2016        |                         | 42,000.00              |
|  | 2017 - 2021 |                         | 210,000.00             |
|  | 2022 - 2026 |                         | 210,000.00             |
|  | 2027 - 2031 |                         | 210,000.00             |
|  | 2032 - 2036 |                         | 210,000.00             |
|  | 2037 - 2041 |                         | 210,000.00             |
|  | 2042 - 2045 | 20,000,000.00           | 168,000.00             |
|  |             | <u>\$ 20,000,000.00</u> | <u>\$ 1,428,000.00</u> |
|  |             |                         |                        |
| Texas Military Value Revolving Loan Fund Series 2007 A-1 |             |                         |                        |
|  | 2012        | \$ 465,000.00           | \$ 424,312.50          |
|  | 2013        | 485,000.00              | 405,312.50             |
|  | 2014        | 505,000.00              | 385,512.50             |
|  | 2015        | 525,000.00              | 364,256.25             |
|  | 2016        | 550,000.00              | 341,412.50             |
|  | 2017 - 2021 | 3,120,000.00            | 1,339,934.38           |
|  | 2022 - 2026 | 3,840,000.00            | 620,975.03             |
|  | 2027        | 875,000.00              | 19,140.63              |
|  |             | <u>\$ 10,365,000.00</u> | <u>\$ 3,900,856.29</u> |
|  |             |                         |                        |
| Texas Military Value Revolving Loan Fund Series 2007 A-2 |             |                         |                        |
|  | 2012        | \$ -                    | \$ 452,600.00          |
|  | 2013        | \$230,000.00            | 448,000.00             |
|  | 2014        | 240,000.00              | 438,600.00             |
|  | 2015        | 250,000.00              | 428,800.00             |
|  | 2016        | 260,000.00              | 418,600.00             |
|  | 2017 - 2021 | 1,480,000.00            | 1,920,268.76           |
|  | 2022 - 2026 | 1,835,000.00            | 1,563,903.17           |
|  | 2027 - 2031 | 2,305,000.00            | 1,098,390.67           |
|  | 2032 - 2036 | 2,895,000.00            | 501,234.41             |
|  | 2037        | 665,000.00              | 15,378.13              |
|  |             | <u>\$ 10,160,000.00</u> | <u>\$ 7,285,775.14</u> |

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Office of the Governor - Trustee Programs (300)  
 Schedule 2C - Debt Service Requirements  
 For the Fiscal Year Ended August 31, 2011

Governmental Activities (continued)

| Description of Issue                            | FY          | Principal               | Interest                |
|---|-------------|-------------------------|-------------------------|
| Texas Military Value Revolving Loan Fund Series |             |                         |                         |
| 2007 B  | 2012        | \$ -                    | \$ 1,599,850.00         |
|   | 2013        | \$565,000.00            | 1,585,160.00            |
|   | 2014        | 595,000.00              | 1,555,000.00            |
|   | 2015        | 625,000.00              | 1,523,280.00            |
|   | 2016        | 655,000.00              | 1,489,836.25            |
|   | 2017 - 2021 | 3,840,000.00            | 6,875,868.75            |
|   | 2022 - 2026 | 5,010,000.00            | 5,668,940.00            |
|   | 2027 - 2031 | 6,595,000.00            | 4,039,930.00            |
|   | 2032 - 2036 | 8,690,000.00            | 1,875,870.00            |
|   | 2037        | 2,045,000.00            | 58,282.50               |
|   |             | <u>\$ 28,620,000.00</u> | <u>\$ 26,272,017.50</u> |

Component Unit

| Description of Issue                     | FY          | Principal               | Interest               |
|--|-------------|-------------------------|------------------------|
| <u>Revenue Bonds - Self-Supporting:</u>  |             |                         |                        |
| TSBIDC Floating Rate Dem Rev Bds Ser '86 | 2012        | \$ -                    | \$ 108,000.00          |
|  | 2013        |                         | 108,000.00             |
|  | 2014        |                         | 108,000.00             |
|  | 2015        |                         | 108,000.00             |
|  | 2016        |                         | 108,000.00             |
|  | 2017 - 2021 |                         | 540,000.00             |
|  | 2022 - 2026 | 60,000,000.00           | 540,000.00             |
|  |             | <u>\$ 60,000,000.00</u> | <u>\$ 1,620,000.00</u> |

Office of the Governor - Trustee Programs (300)

Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds  
For the Fiscal Year Ended August 31, 2011

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   | \$ -                 | \$ 60,226.01           |
| Small Incubator Var Rate Demand Bonds Series 2005B       |                      | 48,180.81              |
| Texas Military Value Revolving Loan Fund Series 2007 A-1 | 450,000              | 442,612.50             |
| Texas Military Value Revolving Loan Fund Series 2007 A-2 |                      | 452,600.00             |
| Texas Military Value Revolving Loan Fund Series 2007 B   |                      | 1,599,850.00           |
| Total  | <u>\$ 450,000.00</u> | <u>\$ 2,603,469.32</u> |

Component Unit

| Description of Issue/Parity Issues       | Pledged and Other Sources and Related Expenditures for FY 2011 |  |              |                      |
|--|--|--|--------------|----------------------|
|  | Net Available for Debt Service                                 |  | Debt Service |                      |
|  | Total Pledged and Other Sources                                | Operating Expenses / Expenditures and Capital Outlay | Principal    | Interest             |
| <u>Revenue Bonds - Self-Supporting:</u>  |  |  |              |                      |
| TSBIDC Floating Rate Dem Rev Bds Ser '86 | \$ 1,235,621.86  | \$ 1,038,377.61                                      | \$ -         | \$ 142,175.33        |
| Total                                    | <u>\$ 1,235,621.86</u>   | <u>\$ 1,038,377.61</u>                               | <u>\$ -</u>  | <u>\$ 142,175.33</u> |

**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, 2011

|   | Governmental Fund Types            |                               |   |                            |
|---|------------------------------------|-------------------------------|---|----------------------------|
|   | General Funds<br>(Exhibit A-1 301) | Capital Assets<br>Adjustments | Long-Term<br>Liabilities<br>Adjustments | Statement of<br>Net Assets |
| <b>ASSETS</b>                                   |                                    |                               |   |                            |
| Current Assets:                                 |                                    |                               |   |                            |
| Legislative Appropriations                      | \$ 11,200,354.92                   | \$ -                          | \$ -                                    | \$ 11,200,354.92           |
| Receivables from:                               |                                    |                               |   |                            |
| Accounts Receivable                             | 705.00                             |                               |   | 705.00                     |
| Interfund Receivables (Note 12)                 | 210.87                             |                               |   | 210.87                     |
| Total Current Assets                            | <u>11,201,270.79</u>               | <u>-</u>                      | <u>-</u>                                | <u>11,201,270.79</u>       |
| Non-Current Assets:                             |                                    |                               |   |                            |
| Capital Assets (Note 2):                        |                                    |                               |   |                            |
| Depreciable:                                    |                                    |                               |   |                            |
| Furniture and Equipment                         |                                    | 433,976.93                    |   | 433,976.93                 |
| Less Accumulated Depreciation                   |                                    | (333,753.86)                  |   | (333,753.86)               |
| Total Non-Current Assets                        | <u>-</u>                           | <u>100,223.07</u>             | <u>-</u>                                | <u>100,223.07</u>          |
| Total Assets                                    | <u>\$ 11,201,270.79</u>            | <u>\$ 100,223.07</u>          | <u>\$ -</u>                             | <u>\$ 11,301,493.86</u>    |
| <b>LIABILITIES AND FUND BALANCES</b>            |                                    |                               |   |                            |
| Liabilities                                     |                                    |                               |   |                            |
| Current Liabilities:                            |                                    |                               |   |                            |
| Payables from:                                  |                                    |                               |   |                            |
| Accounts  | \$ (13,797.07)                     | \$ -                          | \$ -                                    | \$ (13,797.07)             |
| Payroll   | 1,041,363.69                       |                               |   | 1,041,363.69               |
| Interfund Payable (Note 12)                     | 66,838.19                          |                               |   | 66,838.19                  |
| Employees' Compensable Leave (Note 5)           |                                    |                               | 979,706.37                              | 979,706.37                 |
| Total Current Liabilities                       | <u>1,094,404.81</u>                | <u>-</u>                      | <u>979,706.37</u>                       | <u>2,074,111.18</u>        |
| Non-Current Liabilities                         |                                    |                               |   |                            |
| Employees' Compensable Leave (Note 5)           |                                    |                               | 481,424.48                              | 481,424.48                 |
| Total Non-Current Liabilities                   | <u>-</u>                           | <u>-</u>                      | <u>481,424.48</u>                       | <u>481,424.48</u>          |
| Total Liabilities                               | <u>1,094,404.81</u>                | <u>-</u>                      | <u>1,461,130.85</u>                     | <u>2,555,535.66</u>        |
| <b>Fund Financial Statement</b>                 |                                    |                               |   |                            |
| Fund Balances (Deficits):                       |                                    |                               |   |                            |
| Nonspendable                                    |                                    |                               |   |                            |
| Restricted                                      |                                    |                               |   |                            |
| Committed                                       |                                    |                               |   |                            |
| Assigned  | 10,106,865.98                      |                               |   | 10,106,865.98              |
| Unassigned                                      |                                    |                               |   |                            |
| Total Fund Balances                             | <u>10,106,865.98</u>               | <u>-</u>                      | <u>-</u>                                | <u>10,106,865.98</u>       |
| Total Liabilities and Fund Balances             | <u>\$ 11,201,270.79</u>            |                               |   |                            |
| Government-Wide Statement of Net Assets         |                                    |                               |   |                            |
| Net Assets                                      |                                    |                               |   |                            |
| Invested in Capital Assets, net of Related Debt |                                    | 100,223.07                    |   | 100,223.07                 |
| Unrestricted                                    |                                    |                               | (1,461,130.85)                          | (1,461,130.85)             |
| Total Net Assets                                |                                    | <u>\$ 100,223.07</u>          | <u>\$ (1,461,130.85)</u>                | <u>\$ 8,745,958.20</u>     |

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

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Office of the Governor - Core Operations (301)  
 Exhibit II 301 - Combined Statement of Revenues, Expenditures and Changes in  
 Fund Balances/Statement of Activities - Governmental Funds  
 For the Fiscal Year Ended August 31, 2011

|  | General Funds<br>(Exhibit A-2 301) | Governmental<br>Funds Total |
|--|------------------------------------|-----------------------------|
| <b>REVENUE</b>                                   |                                    |                             |
| Legislative Appropriations                       |                                    |                             |
| Original Appropriations                          | \$ 10,573,608.00                   | \$ 10,573,608.00            |
| Additional Appropriations                        | 2,095,024.79                       | 2,095,024.79                |
| License, Fees & Permits                          | 1,958.70                           | 1,958.70                    |
| Sales of Goods and Services                      | 89,495.61                          | 89,495.61                   |
| Other  | 18,950.04                          | 18,950.04                   |
| Total Revenue                                    | <u>12,779,037.14</u>               | <u>12,779,037.14</u>        |
| <b>EXPENDITURES</b>                              |                                    |                             |
| Salaries and Wages                               | 9,719,973.48                       | 9,719,973.48                |
| Payroll Related Costs                            | 2,101,776.42                       | 2,101,776.42                |
| Professional Fees and Services                   | 97,686.25                          | 97,686.25                   |
| Travel   | 49,422.42                          | 49,422.42                   |
| Materials and Supplies                           | 99,289.09                          | 99,289.09                   |
| Communication and Utilities                      | 159,194.29                         | 159,194.29                  |
| Repairs and Maintenance                          | 71,997.03                          | 71,997.03                   |
| Rentals and Leases                               | 94,741.71                          | 94,741.71                   |
| Printing and Reproduction                        | 6,271.30                           | 6,271.30                    |
| State Grant Pass-Through Expenditures            |                                    |                             |
| Other Expenditures                               | 176,559.78                         | 176,559.78                  |
| Capital Outlay                                   | 8,791.99                           | 8,791.99                    |
| Depreciation Expense                             |                                    |                             |
| Total Expenditures/Expenses                      | <u>12,585,703.76</u>               | <u>12,585,703.76</u>        |
| Excess (Deficiency) of Revenue over Expenditures | <u>193,333.38</u>                  | <u>193,333.38</u>           |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                                    |                             |
| Transfer In                                      | 288.84                             | 288.84                      |
| Legislative Transfer In (Note 12)                | 2,262,202.16                       | 2,262,202.16                |
| Legislative Transfer Out (Note 12)               |                                    |                             |
| Total Other Financing Sources (Uses)             | <u>2,262,491.00</u>                | <u>2,262,491.00</u>         |
| Net Change in Fund Balances/Net Assets           | <u>2,455,824.38</u>                | <u>2,455,824.38</u>         |
| <b>Fund Financial Statement - Fund Balances</b>  |                                    |                             |
| Fund Balances, September 1, 2010                 | 7,651,041.60                       | 7,651,041.60                |
| Restatements (Note 14)                           |                                    |                             |
| Fund Balances, September 1, 2010, as Restated    | <u>7,651,041.60</u>                | <u>7,651,041.60</u>         |
| Appropriations Lapsed                            |                                    |                             |
| Fund Balances, August 31, 2011                   | <u>\$ 10,106,865.98</u>            | <u>\$ 10,106,865.98</u>     |
| <b>Government-Wide Statement of Net Assets</b>   |                                    |                             |
| Net Assets/Net Change in Net Assets              |                                    | <u>\$ 10,106,865.98</u>     |
| Net Assets, September 1, 2010                    |                                    |                             |
| Restatements                                     |                                    |                             |
| Net Assets, September 1, 2010, as Restated       |                                    | <u>-</u>                    |
| Net Assets, August 31, 2011                      |                                    | <u>\$ 10,106,865.98</u>     |

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

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| Capital Assets<br>Adjustments | Long-Term Liabilities<br>Adjustments | Statement of<br>Activities |
|-------------------------------|--------------------------------------|----------------------------|
| \$ -                          | \$ -                                 | \$ 10,573,608.00           |
|                               |                                      | 2,095,024.79               |
|                               |                                      | 1,958.70                   |
|                               |                                      | 89,495.61                  |
|                               |                                      | 18,950.04                  |
| <u>-</u>                      | <u>-</u>                             | <u>12,779,037.14</u>       |
|                               | 246,284.96                           | 9,966,258.44               |
|                               |                                      | 2,101,776.42               |
|                               |                                      | 97,686.25                  |
|                               |                                      | 49,422.42                  |
|                               |                                      | 99,289.09                  |
|                               |                                      | 159,194.29                 |
|                               |                                      | 71,997.03                  |
|                               |                                      | 94,741.71                  |
|                               |                                      | 6,271.30                   |
|                               |                                      | 176,559.78                 |
| (8,791.99)                    |                                      |                            |
| 30,790.43                     |                                      | 30,790.43                  |
| <u>21,998.44</u>              | <u>246,284.96</u>                    | <u>12,853,987.16</u>       |
| <u>(21,998.44)</u>            | <u>(246,284.96)</u>                  | <u>(74,950.02)</u>         |
|                               |                                      | 288.84                     |
|                               |                                      | 2,262,202.16               |
| <u>-</u>                      | <u>-</u>                             | <u>2,262,491.00</u>        |
|                               |                                      | 2,187,540.98               |
|                               |                                      | 7,651,041.60               |
|                               |                                      | <u>7,651,041.60</u>        |
|                               |                                      | <u>\$ 9,838,582.58</u>     |
| <u>\$ (21,998.44)</u>         | <u>\$ (246,284.96)</u>               | <u>\$ 9,838,582.58</u>     |
| 122,221.51                    | (1,214,845.89)                       | (1,092,624.38)             |
| <u>122,221.51</u>             | <u>(1,214,845.89)</u>                | <u>(1,092,624.38)</u>      |
| <u>\$ 100,223.07</u>          | <u>\$ (1,461,130.85)</u>             | <u>\$ 8,745,958.20</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, 2011

|                                      | General<br>Revenue Fund<br>(0001)*<br>U/F (0001) | Total<br>(Exhibit I 301) |
|--------------------------------------|--|--------------------------|
| <b>ASSETS</b>                        |  |                          |
| Current Assets:                      |  |                          |
| Legislative Appropriations           | \$ 11,200,354.92                                 | \$ 11,200,354.92         |
| Receivables from:                    |  |                          |
| Accounts Receivable                  | 705.00   | 705.00                   |
| Interfund Receivables (Note 12)      | 210.87   | 210.87                   |
| Total Current Assets                 | <u>11,201,270.79</u>                             | <u>11,201,270.79</u>     |
| Total Assets                         | <u>\$ 11,201,270.79</u>                          | <u>\$ 11,201,270.79</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |  |                          |
| Liabilities                          |  |                          |
| Current Liabilities:                 |  |                          |
| Payables from:                       |  |                          |
| Accounts                             | \$ (13,797.07)                                   | \$ (13,797.07)           |
| Payroll                              | 1,041,363.69                                     | 1,041,363.69             |
| Interfund Payable (Note 12)          | 66,838.19  | 66,838.19                |
| Total Current Liabilities            | <u>1,094,404.81</u>                              | <u>1,094,404.81</u>      |
| Total Liabilities                    | <u>1,094,404.81</u>                              | <u>1,094,404.81</u>      |
| Fund Balances (Deficits):            |  |                          |
| Nonspendable                         |  |                          |
| Restricted                           |  |                          |
| Committed                            |  |                          |
| Assigned                             | 10,106,865.98                                    | 10,106,865.98            |
| Unassigned                           |  |                          |
| Total Fund Balances                  | <u>10,106,865.98</u>                             | <u>10,106,865.98</u>     |
| Total Liabilities and Fund Balances  | <u>\$ 11,201,270.79</u>                          | <u>\$ 11,201,270.79</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 - Trusteed Programs (300)  
 Exhibit A-2 301 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 All General and Consolidated Funds  
 For the Fiscal Year Ended August 31, 2011

|  | General Revenue<br>Fund<br>(0001)*<br>U/F (0001) | Total<br><br>(Exhibit II 301 ) |
|--|--|--------------------------------|
| <b>REVENUE</b>                                   |  |                                |
| Legislative Appropriations                       |  |                                |
| Original Appropriations                          | \$ 10,573,608.00                                 | \$ 10,573,608.00               |
| Additional Appropriations                        | 2,095,024.79                                     | 2,095,024.79                   |
| License, Fees & Permits                          | 1,958.70   | 1,958.70                       |
| Sales of Goods and Services                      | 89,495.61  | 89,495.61                      |
| Other  | 18,950.04  | 18,950.04                      |
| Total Revenue                                    | <u>12,779,037.14</u>                             | <u>12,779,037.14</u>           |
| <b>EXPENDITURES</b>                              |  |                                |
| Salaries and Wages                               | 9,719,973.48                                     | 9,719,973.48                   |
| Payroll Related Costs                            | 2,101,776.42                                     | 2,101,776.42                   |
| Professional Fees and Services                   | 97,686.25  | 97,686.25                      |
| Travel   | 49,422.42  | 49,422.42                      |
| Materials and Supplies                           | 99,289.09  | 99,289.09                      |
| Communication and Utilities                      | 159,194.29                                       | 159,194.29                     |
| Repairs and Maintenance                          | 71,997.03  | 71,997.03                      |
| Rentals and Leases                               | 94,741.71  | 94,741.71                      |
| Printing and Reproduction                        | 6,271.30   | 6,271.30                       |
| State Grant Pass-Through Expenditures            |  |                                |
| Other Expenditures                               | 176,559.78                                       | 176,559.78                     |
| Capital Outlay                                   | 8,791.99   | 8,791.99                       |
| Total Expenditures                               | <u>12,585,703.76</u>                             | <u>12,585,703.76</u>           |
| Excess (Deficiency) of Revenue over Expenditures | <u>193,333.38</u>                                | <u>193,333.38</u>              |
| <b>OTHER FINANCING SOURCES (USES)</b>            |  |                                |
| Transfer In                                      | 288.84   | 288.84                         |
| Transfer Out                                     |  |                                |
| Legislative Transfer In (Note 12)                | 2,262,202.16                                     | 2,262,202.16                   |
| Legislative Transfer Out (Note 12)               |  |                                |
| Total Other Financing Sources (Uses)             | <u>2,262,491.00</u>                              | <u>2,262,491.00</u>            |
| Net Change in Fund Balances                      | <u>2,455,824.38</u>                              | <u>2,455,824.38</u>            |
| <b>Fund Financial Statement - Fund Balances</b>  |  |                                |
| Fund Balances, September 1, 2010                 | 7,651,041.60                                     | 7,651,041.60                   |
| Restatements (Note 14)                           |  |                                |
| Fund Balances, September 1, 2010, as Restated    | <u>7,651,041.60</u>                              | <u>7,651,041.60</u>            |
| Appropriations Lapsed                            |  |                                |
| Fund Balances, August 31, 2011                   | <u>\$ 10,106,865.98</u>                          | <u>\$ 10,106,865.98</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 J-1 301 - Combining Statement of Changes in Assets and Liabilities - Agency Funds  
 For the Fiscal Year Ended August 31, 2011

|  | Beginning<br>Balance<br>September 1, 2010 | Additions          | Deductions         | Ending<br>Balance<br>August 31, 2011 |
|--|---|--------------------|--------------------|--------------------------------------|
| <b>Unappropriated Receipts</b>                       |   |                    |                    |                                      |
| <u>Child Support Employee ded (0807), U/F(8070)*</u> |   |                    |                    |                                      |
| Cash in State Treasury                               | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Assets   | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</u>                     |
| <b>LIABILITIES</b>                                   |   |                    |                    |                                      |
| Funds Held for Others                                | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Liabilities                                    | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</u>                     |
| <b>Totals - All Agency Funds</b>                     |   |                    |                    |                                      |
| <b>ASSETS</b>  |   |                    |                    |                                      |
| Cash in State Treasury                               | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Assets   | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</u>                     |
| <b>LIABILITIES</b>                                   |   |                    |                    |                                      |
| Funds Held for Others                                | \$ 398.70                                 | \$ 3,290.90        | \$ 3,189.60        | \$ 500.00                            |
| Total Liabilities                                    | <u>\$ 398.70</u>                          | <u>\$ 3,290.90</u> | <u>\$ 3,189.60</u> | <u>\$ 500.00</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)

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

UNAUDITED

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, 2011

|   | Governmental Fund Types            |   |  | Governmental Funds<br>Total |
|---|------------------------------------|---|--|-----------------------------|
|   | General Funds<br>(Exhibit A-1 300) | Special Revenue<br>Funds<br>(Exhibit B-1 300) | Debt Service<br>Funds<br>(Exhibit C-1 300) |                             |
| <b>ASSETS</b>                                   |                                    |   |  |                             |
| Current Assets:                                 |                                    |   |  |                             |
| Cash and Cash Equivalents                       |                                    |   |  |                             |
| Cash In Bank (Note 3)                           | \$ -                               | \$ -  | \$ -                                       | \$ -                        |
| Cash in State Treasury                          | 493,464,737.77                     | 34,220,147.57                                 | 885.86                                     | 527,685,771.20              |
| Cash Equivalents (Note 3)                       |                                    | 566,949.71                                    |  | 566,949.71                  |
| Restricted Cash and Cash Equivalents            |                                    |   |  |                             |
| Cash in State Treasury                          |                                    | 4,725,000.00                                  |  | 4,725,000.00                |
| Cash In Bank (Note 3)                           |                                    | 355,996.96                                    |  | 355,996.96                  |
| Legislative Appropriations                      | 98,750,177.46                      |   |  | 98,750,177.46               |
| Receivables from:                               |                                    |   |  |                             |
| Federal   | 2,330,525.24                       |   |  | 2,330,525.24                |
| Interest and Dividends                          | 289,955.87                         | 43,707.97                                     | 0.31                                       | 333,664.15                  |
| Accounts Receivable                             | 842.83                             | 25,000.00                                     |  | 25,842.83                   |
| Interfund Receivables (Note 12)                 | 560,919.95                         |   |  | 560,919.95                  |
| Due From Other Agencies                         | 7,040,031.97                       |   |  | 7,040,031.97                |
| Prepaid Items                                   |                                    | 4,525.00                                      |  | 4,525.00                    |
| Loans and Contracts                             | 4,965,000.00                       | 1,208,841.89                                  |  | 6,173,841.89                |
| Total Current Assets                            | <u>607,402,191.09</u>              | <u>41,150,169.10</u>                          | <u>886.17</u>                              | <u>648,553,246.36</u>       |
| Non-Current Assets:                             |                                    |   |  |                             |
| Loans and Contracts                             | 387,077,196.00                     | 6,616,904.27                                  |  | 393,694,100.27              |
| Investments (Note 3)                            | 169,398,260.05                     |   |  | 169,398,260.05              |
| Capital Assets (Note 2):                        |                                    |   |  |                             |
| Depreciable:                                    |                                    |   |  |                             |
| Furniture and Equipment                         |                                    |   |  |                             |
| Less Accumulated Depreciation                   |                                    |   |  |                             |
| Total Non-Current Assets                        | <u>556,475,456.05</u>              | <u>6,616,904.27</u>                           | <u>-</u>                                   | <u>563,092,360.32</u>       |
| Total Assets                                    | <u>\$ 1,163,877,647.14</u>         | <u>\$ 47,767,073.37</u>                       | <u>\$ 886.17</u>                           | <u>\$ 1,211,645,606.68</u>  |
| <b>LIABILITIES AND FUND BALANCES</b>            |                                    |   |  |                             |
| Liabilities                                     |                                    |   |  |                             |
| Current Liabilities:                            |                                    |   |  |                             |
| Payables from:                                  |                                    |   |  |                             |
| Accounts  | \$ 7,892,573.73                    | \$ 15,646.20                                  | \$ -                                       | \$ 7,908,219.93             |
| Payroll   | 638,671.78                         |   |  | 638,671.78                  |
| Interfund Payable (Note 12)                     | 494,291.13                         |   |  | 494,291.13                  |
| Due To Other Agencies                           | 4,117,021.05                       |   |  | 4,117,021.05                |
| Deferred Revenue                                | 36,108,984.21                      |   |  | 36,108,984.21               |
| General Obligation Bonds Payable (Note 5)       |                                    |   |  |                             |
| Employees' Compensable Leave (Note 5)           |                                    |   |  |                             |
| Total Current Liabilities                       | <u>49,251,541.90</u>               | <u>15,646.20</u>                              | <u>-</u>                                   | <u>49,267,188.10</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>49,251,541.90</u>               | <u>15,646.20</u>                              | <u>-</u>                                   | <u>49,267,188.10</u>        |
| <b>Fund Financial Statement</b>                 |                                    |   |  |                             |
| Fund Balances (Deficits):                       |                                    |   |  |                             |
| Nonspendable                                    |                                    | 4,525.00                                      |  | 4,525.00                    |
| Restricted                                      | 76,453,294.04                      | 46,799,226.69                                 | 886.17                                     | 123,253,406.90              |
| Committed                                       | 939,944,563.21                     | 947,675.48                                    |  | 940,892,238.69              |
| Assigned  | 98,228,247.99                      |   |  | 98,228,247.99               |
| Unassigned                                      |                                    |   |  |                             |
| Total Fund Balances                             | <u>1,114,626,105.24</u>            | <u>47,751,427.17</u>                          | <u>886.17</u>                              | <u>1,162,378,418.58</u>     |
| Total Liabilities and Fund Balances             | <u>\$ 1,163,877,647.14</u>         | <u>\$ 47,767,073.37</u>                       | <u>\$ 886.17</u>                           | <u>\$ 1,211,645,606.68</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                                |                                    |   |  |                             |

UNAUDITED

| Capital Assets<br>Adjustments | Long-Term<br>Liabilities<br>Adjustments | Statement of<br>Net Assets |
|-------------------------------|---|----------------------------|
| \$ -                          | \$ -                                    | \$ -                       |
|                               |   | 527,685,771.20             |
|                               |   | 566,949.71                 |
|                               |   | 4,725,000.00               |
|                               |   | 355,996.96                 |
|                               |   | 98,750,177.46              |
|                               |   | 2,330,525.24               |
|                               |   | 333,664.15                 |
|                               |   | 25,842.83                  |
|                               |   | 560,919.95                 |
|                               |   | 7,040,031.97               |
|                               |   | 4,525.00                   |
|                               |   | 6,173,841.89               |
| -                             | -                                       | 648,553,246.36             |
|                               |   | 393,694,100.27             |
|                               |   | 169,398,260.05             |
| 112,229.59                    |   | 112,229.59                 |
| (109,736.75)                  |   | (109,736.75)               |
| 2,492.84                      | -                                       | 563,094,853.16             |
| \$ 2,492.84                   | \$ -                                    | \$ 1,211,648,099.52        |
| \$ -                          | \$ -                                    | \$ 7,908,219.93            |
|                               |   | 638,671.78                 |
|                               |   | 494,291.13                 |
|                               |   | 4,117,021.05               |
|                               |   | 36,108,984.21              |
|                               | 465,000.00                              | 465,000.00                 |
|                               | 652,304.38                              | 652,304.38                 |
| -                             | 1,117,304.38                            | 50,384,492.48              |
|                               | 93,680,000.00                           | 93,680,000.00              |
|                               | 204,405.54                              | 204,405.54                 |
| -                             | 93,884,405.54                           | 93,884,405.54              |
| -                             | 95,001,709.92                           | 144,268,898.02             |
|                               |   | 4,525.00                   |
|                               |   | 123,253,406.90             |
|                               |   | 940,892,238.69             |
|                               |   | 98,228,247.99              |
|                               |   | 1,162,378,418.58           |
| 2,492.84                      |   | 2,492.84                   |
|                               | (95,001,709.92)                         | (95,001,709.92)            |
| \$ 2,492.84                   | \$ (95,001,709.92)                      | \$ 1,067,379,201.50        |

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit II 300 - Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances/Statement of Activities - Governmental Funds  
For the Fiscal Year Ended August 31, 2011

|  | Governmental Fund Types            |   |   | Governmental<br>Funds Total |
|--|------------------------------------|---|---|-----------------------------|
|  | General Funds<br>(Exhibit A-2 300) | Special Revenue<br>Funds<br>(Exhibit B-2 300) | Debt Service<br>Fund<br>(Exhibit C-2 300) |                             |
| <b>REVENUE</b>                                   |                                    |   |   |                             |
| Legislative Appropriations                       |                                    |   |   |                             |
| Original Appropriations                          | \$ 2,762,569.00                    | \$ -  | \$ -                                      | \$ 2,762,569.00             |
| Additional Appropriations                        | 578,965.10                         |   |   | 578,965.10                  |
| Federal Revenue                                  | 102,654,103.09                     |   |   | 102,654,103.09              |
| Federal Grant Pass-Through Revenue               | 8,116,169.80                       |   |   | 8,116,169.80                |
| License, Fees & Permits                          | 29,660,489.69                      | 78,100.00                                     |   | 29,738,589.69               |
| Interest and Other Investment Income             | 6,494,580.22                       | 633,395.94                                    | 999.55                                    | 7,128,975.71                |
| Net Increase (Decrease) in Fair Value            | 7,657,789.90                       |   |   | 7,657,789.90                |
| Sales of Goods and Services                      | 358,592.67                         |   |   | 358,592.67                  |
| Other  | 5,122,517.44                       | 555,361.03                                    |   | 5,677,878.47                |
| <b>Total Revenue</b>                             | <b>163,405,776.91</b>              | <b>1,266,856.97</b>                           | <b>999.55</b>                             | <b>164,673,633.43</b>       |
| <b>EXPENDITURES</b>                              |                                    |   |   |                             |
| Salaries and Wages                               | 6,716,040.57                       | 69,727.53                                     |   | 6,785,768.10                |
| Payroll Related Costs                            | 1,601,364.53                       | 13,873.22                                     |   | 1,615,237.75                |
| Professional Fees and Services                   | 8,465,607.14                       | 124,546.96                                    |   | 8,590,154.10                |
| Travel   | 321,177.66                         | 2,168.10                                      |   | 323,345.76                  |
| Materials and Supplies                           | 139,131.23                         | 7,694.93                                      |   | 146,826.16                  |
| Communication and Utilities                      | 266,092.91                         | 1,217.13                                      |   | 267,310.04                  |
| Repairs and Maintenance                          | 8,918.72                           |   |   | 8,918.72                    |
| Rentals and Leases                               | 296,509.62                         | 30.00   |   | 296,539.62                  |
| Printing and Reproduction                        | 25,154.66                          | 1,212.26                                      |   | 26,366.92                   |
| Federal Grant Pass-Through Expenditures          | 14,415,440.81                      |   |   | 14,415,440.81               |
| State Grant Pass-Through Expenditures            | 13,942,934.50                      |   |   | 13,942,934.50               |
| Intergovernmental Payments                       | 74,163,445.91                      |   |   | 74,163,445.91               |
| Public Assistance Payments                       | 48,238,974.72                      | 2,170,896.78                                  |   | 50,409,871.50               |
| Other Expenditures                               | 41,461,195.19                      | 28,875.53                                     |   | 41,490,070.72               |
| Debt Service:                                    |                                    |   |   |                             |
| Principal  |                                    |   | 450,000.00                                | 450,000.00                  |
| Interest   |                                    |   | 2,603,469.32                              | 2,603,469.32                |
| Depreciation Expense                             |                                    |   |   |                             |
| <b>Total Expenditures/Expenses</b>               | <b>210,061,988.17</b>              | <b>2,420,242.44</b>                           | <b>3,053,469.32</b>                       | <b>215,535,699.93</b>       |
| Excess (Deficiency) of Revenue over Expenditures | (46,656,211.26)                    | (1,153,385.47)                                | (3,052,469.77)                            | (50,862,066.50)             |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                                    |   |   |                             |
| Transfer In                                      | 63,230,481.49                      |   | 3,053,469.46                              | 66,283,950.95               |
| Transfer Out                                     | (28,223,957.32)                    | (333,406.82)                                  | (7,134.72)                                | (28,564,498.86)             |
| Legislative Transfer In (Note 12)                | 9,564,532.16                       |   |   | 9,564,532.16                |
| Legislative Transfer Out (Note 12)               | (2,262,202.16)                     |   |   | (2,262,202.16)              |
| Lapses   | (5,611,752.74)                     |   |   | (5,611,752.74)              |
| <b>Total Other Financing Sources (Uses)</b>      | <b>36,697,101.43</b>               | <b>(333,406.82)</b>                           | <b>3,046,334.74</b>                       | <b>39,410,029.35</b>        |
| Net Change in Fund Balances/Net Assets           | (9,959,109.83)                     | (1,486,792.29)                                | (6,135.03)                                | (11,452,037.15)             |
| <b>Fund Financial Statement - Fund Balances</b>  |                                    |   |   |                             |
| Fund Balances, September 1, 2010                 | 992,056,096.39                     | 49,238,219.46                                 | 7,021.20                                  | 1,041,301,337.05            |
| Restatements (Note 14)                           | 132,529,118.68                     |   |   | 132,529,118.68              |
| Fund Balances, September 1, 2010, as Restated    | 1,124,585,215.07                   | 49,238,219.46                                 | 7,021.20                                  | 1,173,830,455.73            |
| Appropriations Lapsed                            |                                    |   |   |                             |
| Fund Balances, August 31, 2011                   | \$ 1,114,626,105.24                | \$ 47,751,427.17                              | \$ 886.17                                 | \$ 1,162,378,418.58         |
| <b>Government-Wide Statement of Net Assets</b>   |                                    |   |   |                             |
| Net Assets/Net Change in Net Assets              |                                    |   |   | \$ 1,162,378,418.58         |
| Net Assets, September 1, 2010                    |                                    |   |   |                             |
| Restatements                                     |                                    |   |   |                             |
| Net Assets, September 1, 2010, as Restated       |                                    |   |   |                             |
| Net Assets, August 31, 2011                      |                                    |   |   | \$ 1,162,378,418.58         |

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

| Capital Assets<br>Adjustments | Long-Term<br>Liabilities<br>Adjustments | Statement of<br>Activities |
|-------------------------------|---|----------------------------|
| \$ -                          | \$ -                                    | \$ 2,762,569.00            |
|                               |   | 578,965.10                 |
|                               |   | 102,654,103.09             |
|                               |   | 8,116,169.80               |
|                               |   | 29,738,589.69              |
|                               |   | 7,128,975.71               |
|                               |   | 7,657,789.90               |
|                               |   | 358,592.67                 |
|                               |   | <u>5,677,878.47</u>        |
| -                             | -                                       | <u>164,673,633.43</u>      |
|                               | (203,664.84)                            | 6,582,103.26               |
|                               |   | 1,615,237.75               |
|                               |   | 8,590,154.10               |
|                               |   | 323,345.76                 |
|                               |   | 146,826.16                 |
|                               |   | 267,310.04                 |
|                               |   | 8,918.72                   |
|                               |   | 296,539.62                 |
|                               |   | 26,366.92                  |
|                               |   | 14,415,440.81              |
|                               |   | 13,942,934.50              |
|                               |   | 74,163,445.91              |
|                               |   | 50,409,871.50              |
|                               |   | 41,490,070.72              |
|                               | (450,000.00)                            | 2,603,469.32               |
| 1,040.44                      |   | 1,040.44                   |
| <u>1,040.44</u>               | <u>(653,664.84)</u>                     | <u>214,883,075.53</u>      |
| (1,040.44)                    | 653,664.84                              | (50,209,442.10)            |
|                               |   | 66,283,950.95              |
|                               |   | (28,564,498.86)            |
|                               |   | 9,564,532.16               |
|                               |   | (2,262,202.16)             |
|                               |   | <u>(5,611,752.74)</u>      |
| -                             | -                                       | <u>39,410,029.35</u>       |
|                               |   | <u>(10,799,412.75)</u>     |
|                               |   | 1,041,301,337.05           |
|                               |   | <u>132,529,118.68</u>      |
|                               |   | <u>1,173,830,455.73</u>    |
|                               |   | <u>\$ 1,163,031,042.98</u> |
| \$ (1,040.44)                 | \$ 653,664.84                           | \$ 1,163,031,042.98        |
| 3,533.28                      | (95,655,374.76)                         | (95,651,841.48)            |
| <u>3,533.28</u>               | <u>(95,655,374.76)</u>                  | <u>(95,651,841.48)</u>     |
| <u>\$ 2,492.84</u>            | <u>\$ (95,001,709.92)</u>               | <u>\$ 1,067,379,201.50</u> |

UNAUDITED

OFFICE OF THE GOVERNOR

Exhibit III 300 - Combined Statement of Net Assets - Proprietary Funds

For the Fiscal Year Ended August 31, 2011

|                                       | <u>Total Enterprise Funds</u><br>(Exhibit F-1 300) |
|---------------------------------------|--|
| <b>ASSETS</b>                         |  |
| Current Assets:                       |  |
| Cash and Cash Equivalents             |  |
| Cash in State Treasury                | \$ 9,129,430.33                                    |
| Receivables from:                     |  |
| Interest and Dividends                | 45,678.74  |
| Prepaid Items                         | 1,650.00   |
| Loans and Contracts                   | 1,663,673.84                                       |
| Total Current Assets                  | <u>10,840,432.91</u>                               |
| Non-Current Assets:                   |  |
| Restricted Cash and Cash Equivalents  |  |
| Cash In Bank (Note 3)                 | 207,418.17   |
| Loans and Contracts                   | 18,089,866.77                                      |
| Total Non-Current Assets              | <u>18,297,284.94</u>                               |
| Total Assets                          | <u>\$ 29,137,717.85</u>                            |
| <b>LIABILITIES</b>                    |  |
| Current Liabilities:                  |  |
| Payables from:                        |  |
| Accounts                              | \$ 105,217.67                                      |
| Payroll                               | 41,724.49  |
| Interfund Payable (Note 12)           | 1.50   |
| Notes and Loans Payable (Note 5)      | 20,000,000.00                                      |
| Employees' Compensable Leave (Note 5) | 28,249.65  |
| Total Current Liabilities             | <u>20,175,193.31</u>                               |
| Non-Current Liabilities               |  |
| Employees' Compensable Leave (Note 5) | 23,326.80  |
| Total Non-Current Liabilities         | <u>23,326.80</u>                                   |
| Total Liabilities                     | <u>20,198,520.11</u>                               |
| <b>Net Assets</b>                     |  |
| Restricted For                        |  |
| Other                                 | 1,840,626.22                                       |
| Unrestricted                          | 7,098,571.52                                       |
| Total Net Assets                      | <u>\$ 8,939,197.74</u>                             |

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

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OFFICE OF THE GOVERNOR

Exhibit IV 300 - Combined Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Fiscal Year Ended August 31, 2011

|  | <b>Total Enterprise Funds</b><br>(Exhibit F-2 300) |
|--|--|
| <b>Operating Revenue</b>   |  |
| Interest and Investment Income   | \$ 536,668.44                                      |
| Other Operating Revenue  | 278,522.73   |
| <b>Total Operating Revenue</b>   | <u>815,191.17</u>                                  |
| <b>Operating Expenses:</b>   |  |
| Salaries and Wages   | 491,154.85   |
| Payroll Related Costs  | 127,242.68   |
| Professional Fees and Services   | 9,115.00   |
| Travel   | 4,388.96   |
| Materials and Supplies   | 1,849.63   |
| Communication and Utilities  | 33,195.24  |
| Rentals and Leases   | 1,800.00   |
| Printing and Reproduction  | 34.50  |
| Bad Debt Expense   |  |
| Other Operating Expenses   | 272,903.93   |
| <b>Total Operating Expenses</b>  | <u>941,684.79</u>                                  |
| Operating Income (Loss)  | <u>(126,493.62)</u>                                |
| <b>Nonoperating Revenue (Expenses)</b>                                       |  |
| Gifts, Pledges and Donations   | 495.00   |
| Investment Income (Expense)  | 54,576.98  |
| Interest Expenses and Fiscal Charges   | (58,503.06)  |
| <b>Total Other Nonoperating Revenue (Expenses)</b>                           | <u>(3,431.08)</u>                                  |
| Income (Loss) Before Other Revenue, Expenses,<br>Gains/Losses, and Transfers | <u>(129,924.70)</u>                                |
| <b>Other Revenue, Expenses, Gains/Losses, and Transfers</b>                  |  |
| Transfer In  | 983,512.39   |
| Transfer Out   | (472.86)   |
| <b>Total Other Revenue, Expenses, Gains/Losses, and Transfers</b>            | <u>983,039.53</u>                                  |
| Change in Net Assets   | <u>853,114.83</u>                                  |
| Total Net Assets, September 1, 2010  | 8,086,082.91                                       |
| Restatements   |  |
| Total Net Assets, September 1, 2010, as Restated                             | <u>8,086,082.91</u>                                |
| <b>Total Net Assets, August 31, 2011</b>                                     | <u>\$ 8,939,197.74</u>                             |

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

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Exhibit V 300 - Combined Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended August 31, 2011

|  | <u>Total Enterprise Funds</u><br>(Exhibit F-3 300) |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Proceeds from Loan Programs  | \$ 2,193,012.04                                    |
| Proceeds from Other Revenue  | 278,522.73   |
| Payments to Employees for Salaries   | (514,679.62)                                       |
| Payments to Employees for Benefits   | (127,242.68)                                       |
| Payments for Loans Provided  | (5,250,000.00)                                     |
| Payments for Other Expenses  | (237,967.27)                                       |
| Net Cash Provided by Operating Activities  | <u>(3,658,354.80)</u>                              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |  |
| Proceeds from Debt Issuance  | 8,500,000.00                                       |
| Proceeds of Transfers from Other Funds   | 983,512.39   |
| Payments of Interest   | (57,833.89)  |
| Payments of Other Costs of Debt Issuance   | (9,115.00)   |
| Payments for Transfers to Other Funds  | (472.86)   |
| Net Cash Provided by Noncapital Financing Activities                                       | <u>9,416,090.64</u>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |
| Proceeds from Interest Income  | 51,794.74  |
| Net Cash Provided by Investing Activities  | <u>51,794.74</u>                                   |
| Net Increase/(Decrease) in Cash and Cash Equivalents                                       | 5,809,530.58                                       |
| Cash and Cash Equivalents, September 1, 2010   | 3,527,317.92                                       |
| Restatement to Beginning Cash & Cash Equivalents   |  |
| Cash and Cash Equivalents,<br>September 1, 2010 as Restated                                | <u>3,527,317.92</u>                                |
| Cash and Cash Equivalents, August 31, 2011   | <u>\$ 9,336,848.50</u>                             |
| <b>Reconciliation of Operating Income to<br/>Net Cash Provided by Operating Activities</b> |  |
| Operating Income (Loss)  | \$ (126,493.62)                                    |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided by Operating Activities  |  |
| Operating Income and Cash Flow Categories:<br>Classification Differences                   | 11,723.07  |
| Changes in Assets and Liabilities:   |  |
| (Increase) Decrease in Loans & Contracts   | (3,586,900.99)                                     |
| (Increase) Decrease in Prepaid Expenses  | 669.17   |
| (Increase) Decrease in Accounts Receivable   | (9,537.65)   |
| Increase (Decrease) in Payables  | 52,185.22  |
| Total Adjustments  | <u>(3,531,861.18)</u>                              |
| Net Cash Provided by Operating Activities  | <u>\$ (3,658,354.80)</u>                           |

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

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UNAUDITED

Office of the Governor - Trusteed Programs (300)  
 Exhibit VIII - Combining Statement of Net Assets - Discretely Presented Component Units  
 For the Fiscal Year Ended August 31, 2011

|                                  | <u>Totals</u><br>(Exhibit K-1 300) |
|----------------------------------|------------------------------------|
| <b>ASSETS</b>                    |                                    |
| Current Assets:                  |                                    |
| Cash In Bank (Note 3)            | \$ 718,313.62                      |
| Cash Equivalents (Note 3)        | 25,511,655.37                      |
| Restricted:                      |                                    |
| Cash and Cash Equivalents        |                                    |
| Cash In Bank (Note 3)            | 1,136,890.49                       |
| Receivables from:                |                                    |
| Interest and Dividends           | 97,449.96                          |
| Accounts Receivable              | 10,486.92                          |
| Prepaid Items                    | 121,705.49                         |
| Loans and Contracts              | 1,218,893.82                       |
| Total Current Assets             | <u>28,815,395.67</u>               |
| Non-Current Assets:              |                                    |
| Loans and Contracts              | 36,537,269.33                      |
| Capital Assets (Note 2):         |                                    |
| Depreciable and Amortizable, Net | 31,617.07                          |
| Total Non-Current Assets         | <u>36,568,886.40</u>               |
| Total Assets                     | <u>\$ 65,384,282.07</u>            |
| <b>LIABILITIES</b>               |                                    |
| Current Liabilities:             |                                    |
| Payables from:                   |                                    |
| Accounts                         | \$ 270,512.41                      |
| Other                            | 9,386.30                           |
| Total Current Liabilities        | <u>279,898.71</u>                  |
| Non-Current Liabilities          |                                    |
| Revenue Bonds Payable (Note 5)   | 60,000,000.00                      |
| Total Non-Current Liabilities    | <u>60,000,000.00</u>               |
| Total Liabilities                | <u>60,279,898.71</u>               |
| <b>Net Assets</b>                |                                    |
| Restricted For:                  |                                    |
| Other                            |                                    |
| Unrestricted                     | 5,104,383.36                       |
| Total Net Assets                 | <u>\$ 5,104,383.36</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 - Trusteed Programs (300)  
 Exhibit IX - Combined Statement of Revenues, Expenses and Changes in Net Assets –  
 Discretely Presented Component Units  
 For the Fiscal Year Ended August 31, 2011

|  | <u>Totals</u><br>(Exhibit K-2 300) |
|--|------------------------------------|
| <b>Operating Revenue:</b>  |                                    |
| Sales of Goods and Services  |                                    |
| Other Sales of Goods and Services - Non-Pledged                              | \$ 1,680,712.33                    |
| Interest and Investment Income   | 1,233,419.01                       |
| Other Operating Revenue  | 87,968.17                          |
| Total Operating Revenue  | <u>3,002,099.51</u>                |
| <b>Operating Expenses:</b>   |                                    |
| Salaries and Wages   | 249,461.32                         |
| Payroll Related Costs  | 32,530.58                          |
| Professional Fees and Services   | 610,915.42                         |
| Travel   | 200,189.67                         |
| Materials and Supplies   | 177,073.29                         |
| Communication and Utilities  | 10,367.32                          |
| Rentals and Leases   | 148,466.77                         |
| Printing and Reproduction  | 16,221.03                          |
| Depreciation and Amortization  | 8,389.24                           |
| Bad Debt Expense   | 51,474.21                          |
| Other Operating Expenses   | 1,239,678.79                       |
| Total Operating Expenses   | <u>2,744,767.64</u>                |
| Operating Income (Loss)  | <u>257,331.87</u>                  |
| <b>Nonoperating Revenue (Expenses)</b>                                       |                                    |
| Gifts, Pledges and Donations   | 1,225,122.48                       |
| Investment Income (Expense)  | 4,458.75                           |
| Interest Expenses and Fiscal Charges   | (142,175.33)                       |
| Total Other Nonoperating Revenue (Expenses)                                  | <u>1,087,405.90</u>                |
| Income (Loss) Before Other Revenue, Expenses,<br>Gains/Losses, and Transfers | <u>1,344,737.77</u>                |
| Change in Net Assets   | <u>1,344,737.77</u>                |
| Total Net Assets, September 1, 2010  | 3,801,173.80                       |
| Restatements   | (41,528.21)                        |
| Total Net Assets, September 1, 2010, as Restated                             | <u>3,759,645.59</u>                |
| Total Net Assets, August 31, 2011  | <u>\$ 5,104,383.36</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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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, 2011

|                                      | Consolidated Accounts                      |  |  |  |
|--------------------------------------|--|--|--|--|
|                                      | General Revenue Fund (0001)*<br>U/F (0001) | Operators & Chauffeurs License (0099)*<br>U/F (4541, 4542, 4543, 4544, 4545) | Governor's Office Federal Projects (0224)*<br>U/F (0224) | American Recovery & Reinvest Act (Fed) (0369)*<br>U/F (0369) |
| <b>ASSETS</b>                        |  |  |  |  |
| Current Assets:                      |  |  |  |  |
| Cash and Cash Equivalents            |  |  |  |  |
| Cash in State Treasury               | \$ -                                       | \$ -   | \$ 35,879,370.75   | \$ 13,042,944.01   |
| Legislative Appropriations           | 98,750,177.46                              |  |  |  |
| Receivables from:                    |  |  |  |  |
| Federal                              |  |  |  | 176,596.74   |
| Other Intergovernmental              |  |  |  |  |
| Interest and Dividends               |  |  | 24,553.66  | 7,098.69   |
| Accounts Receivable                  |  |  |  |  |
| Interfund Receivables (Note 12)      | 560,919.95                                 |  |  |  |
| Due From Other Agencies              | 134,692.48                                 | 291,317.58   |  | 1,170,996.45   |
| Loans and Contracts                  |  |  |  |  |
| Total Current Assets                 | <u>99,445,789.89</u>                       | <u>291,317.58</u>  | <u>35,903,924.41</u>                                     | <u>14,397,635.89</u>   |
| Non-Current Assets:                  |  |  |  |  |
| Loans and Contracts                  |  |  |  |  |
| Investments (Note 3)                 |  |  |  |  |
| Total Non-Current Assets             | <u>-</u>                                   | <u>-</u>   | <u>-</u>   | <u># - #</u>   |
| Total Assets                         | <u>\$ 99,445,789.89</u>                    | <u>\$ 291,317.58</u>   | <u>\$ 35,903,924.41</u>                                  | <u>\$ 14,397,635.89</u>                                      |
| <b>LIABILITIES AND FUND BALANCES</b> |  |  |  |  |
| Liabilities                          |  |  |  |  |
| Current Liabilities:                 |  |  |  |  |
| Payables from:                       |  |  |  |  |
| Accounts                             | \$ 826,564.88                              | \$ 260,438.90  | \$ 486,595.59  | \$ 789,129.49  |
| Payroll                              | 390,879.74                                 |  | 5,867.16   |  |
| Interfund Payable (Note 12)          | 97.28                                      |  |  | 494,081.76   |
| Due To Other Agencies                |  | 30,878.68  | 937,644.39   | 1,483,771.37   |
| Deferred Revenue                     |  |  | 26,098,058.30  | 10,010,925.91  |
| Total Current Liabilities            | <u>1,217,541.90</u>                        | <u>291,317.58</u>  | <u>27,528,165.44</u>                                     | <u>12,777,908.53</u>   |
| Total Liabilities                    | <u>1,217,541.90</u>                        | <u>291,317.58</u>  | <u>27,528,165.44</u>                                     | <u>12,777,908.53</u>   |
| Fund Balances (Deficits):            |  |  |  |  |
| Nonspendable                         |  |  |  |  |
| Restricted                           |  |  | 8,375,758.97   | 1,619,727.36   |
| Committed                            |  |  |  |  |
| Assigned                             | 98,228,247.99                              |  |  |  |
| Unassigned                           |  |  |  |  |
| Total Fund Balances                  | <u>98,228,247.99</u>                       | <u>-</u>   | <u>8,375,758.97</u>                                      | <u>1,619,727.36</u>  |
| Total Liabilities and Fund Balances  | <u>\$ 99,445,789.89</u>                    | <u>\$ 291,317.58</u>   | <u>\$ 35,903,924.41</u>                                  | <u>\$ 14,397,635.89</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)

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| Consolidated Accounts                                 |  |   |   |  |
|---|--|---|---|--|
| Criminal Justice<br>Planning<br>(0421)*<br>U/F (0421) | Rural Economic<br>Development<br>(0425)*<br>U/F (0425) | Hotel Occupancy<br>Tax for<br>Economic Development<br>(5003)*<br>U/F (5003) | Crime Stoppers<br>Assistance<br>(5012)*<br>U/F (5012) | Tourism<br>Plates<br>(5053)*<br>U/F (5053) |
| \$ 48,953,250.63                                      | \$ 394,363.40  | \$ 12,236,329.09  | \$ 765,886.63   | \$ 108,323.60                              |
| 2,153,928.50  |  |   |   |  |
|   | 265.57   |   |   |  |
|   |  | 2,477,419.69  |   |  |
| <u>51,107,179.13</u>                                  | <u>394,628.97</u>                                      | <u>14,713,748.78</u>  | <u>765,886.63</u>                                     | <u>108,323.60</u>                          |
| -   | -  | -   | -   | -  |
| <u>\$ 51,107,179.13</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 14,713,748.78</u>   | <u>\$ 765,886.63</u>                                  | <u>\$ 108,323.60</u>                       |
| \$ 3,545,689.96                                       | \$ -   | \$ 1,237,827.47   | \$ 49,469.34  | \$ -                                       |
| 104,826.64  |  | 106,638.94  |   |  |
| 30.44   |  | 72.30   |   |  |
| 1,632,837.13  |  |   | 854.48  |  |
| <u>5,283,384.17</u>                                   | <u>-</u>   | <u>1,344,538.71</u>   | <u>50,323.82</u>                                      | <u>-</u>                                   |
| 5,283,384.17  | -  | 1,344,538.71  | 50,323.82   | -  |
| 17,255,697.73   |  |   |   |  |
| 28,568,097.23   | 394,628.97   | 13,369,210.07   | 715,562.81  | 108,323.60                                 |
| <u>45,823,794.96</u>                                  | <u>394,628.97</u>                                      | <u>13,369,210.07</u>  | <u>715,562.81</u>                                     | <u>108,323.60</u>                          |
| <u>\$ 51,107,179.13</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 14,713,748.78</u>   | <u>\$ 765,886.63</u>                                  | <u>\$ 108,323.60</u>                       |

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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, 2011

|                                      | 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) |
| <b>ASSETS</b>                        |                                     |   |  |  |
| Current Assets:                      |                                     |   |  |  |
| Cash                                 |                                     |   |  |  |
| Cash in State Treasury               | \$ 234,659,862.05                   | \$ 71,260.18  | \$ 11,898.88                                     | \$ 57,071.53   |
| Legislative Appropriations           |                                     |   |  |  |
| Receivables from:                    |                                     |   |  |  |
| Federal                              |                                     |   |  |  |
| Other Intergovernmental              |                                     |   |  |  |
| Interest and Dividends               | 158,170.01                          |   |  | 38.45  |
| Accounts Receivable                  |                                     |   |  |  |
| Interfund Receivables                |                                     |   |  |  |
| Due From Other Agencies              |                                     |   |  |  |
| Loans and Contracts                  |                                     |   |  | 465,000.00   |
| Total Current Assets                 | <u>234,818,032.06</u>               | <u>71,260.18</u>                                    | <u>11,898.88</u>                                 | <u>522,109.98</u>  |
| Non-Current Assets:                  |                                     |   |  |  |
| Loans and Contracts                  | 338,397,196.00                      |   |  | 48,680,000.00  |
| Investments                          |                                     |   |  |  |
| Total Non-Current Assets             | <u>338,397,196.00</u>               | <u>-</u>  | <u>-</u>   | <u>48,680,000.00</u>   |
| Total Assets                         | <u>\$ 573,215,228.06</u>            | <u>\$ 71,260.18</u>                                 | <u>\$ 11,898.88</u>                              | <u>\$ 49,202,109.98</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |                                     |   |  |  |
| Liabilities                          |                                     |   |  |  |
| Current Liabilities:                 |                                     |   |  |  |
| Payables from:                       |                                     |   |  |  |
| Accounts                             | \$ -                                | \$ 79.84  | \$ 1,500.00                                      | \$ -   |
| Payroll                              |                                     |   |  |  |
| Interfund Payable                    |                                     |   |  |  |
| Due To Other Agencies                |                                     |   |  |  |
| Deferred Revenue                     |                                     |   |  |  |
| Total Current Liabilities            | <u>-</u>                            | <u>79.84</u>  | <u>1,500.00</u>                                  | <u>-</u>   |
| Total Liabilities                    | <u>-</u>                            | <u>79.84</u>  | <u>1,500.00</u>                                  | <u>-</u>   |
| Fund Balances (Deficits):            |                                     |   |  |  |
| Nonspendable                         |                                     |   |  |  |
| Restricted                           |                                     |   |  | 49,202,109.98  |
| Committed                            | 573,215,228.06                      | 71,180.34   | 10,398.88  |  |
| Assigned                             |                                     |   |  |  |
| Unassigned                           |                                     |   |  |  |
| Total Fund Balances                  | <u>573,215,228.06</u>               | <u>71,180.34</u>                                    | <u>10,398.88</u>                                 | <u>49,202,109.98</u>   |
| Total Liabilities and Fund Balances  | <u>\$ 573,215,228.06</u>            | <u>\$ 71,260.18</u>                                 | <u>\$ 11,898.88</u>                              | <u>\$ 49,202,109.98</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<br>Republic of<br>Texas<br>(5115)*<br>U/F (5115) | Emerging<br>Technology<br>(5124)*<br>U/F (5124) | BP Oil Spill Tx<br>Response Grant<br>(5149)*<br>U/F (5149) | Total<br>(Exhibit I - 300) |
|---|---|--|----------------------------|
| \$ 20,627.99  | \$ 142,228,202.64                               | \$ 5,035,346.39  | \$ 493,464,737.77          |
|   |   |  | 98,750,177.46              |
|   |   |  | 2,330,525.24               |
|   | 96,437.76                                       | 3,391.73   | 289,955.87                 |
|   | 842.83  |  | 842.83                     |
|   | 2,965,605.77                                    |  | 560,919.95                 |
|   | 4,500,000.00                                    |  | 7,040,031.97               |
|   |   |  | 4,965,000.00               |
| <u>20,627.99</u>  | <u>149,791,089.00</u>                           | <u>5,038,738.12</u>  | <u>607,402,191.09</u>      |
|   |   |  | 387,077,196.00             |
|   | 169,398,260.05                                  |  | 169,398,260.05             |
| <u>-</u>  | <u>169,398,260.05</u>                           | <u>-</u>   | <u>556,475,456.05</u>      |
| <u>\$ 20,627.99</u>   | <u>\$ 319,189,349.05</u>                        | <u>\$ 5,038,738.12</u>                                     | <u>\$ 1,163,877,647.14</u> |
| \$ 20,627.99  | \$ 674,650.27                                   |  | \$ 7,892,573.73            |
|   | 30,459.30                                       |  | 638,671.78                 |
|   | 9.35  |  | 494,291.13                 |
|   | 31,035.00                                       |  | 4,117,021.05               |
|   |   |  | 36,108,984.21              |
| <u>20,627.99</u>  | <u>736,153.92</u>                               | <u>-</u>   | <u>49,251,541.90</u>       |
| <u>20,627.99</u>  | <u>736,153.92</u>                               | <u>-</u>   | <u>49,251,541.90</u>       |
|   | 318,453,195.13                                  | 5,038,738.12   | 76,453,294.04              |
|   |   |  | 939,944,563.21             |
|   |   |  | 98,228,247.99              |
| <u>-</u>  | <u>318,453,195.13</u>                           | <u>5,038,738.12</u>  | <u>1,114,626,105.24</u>    |
| <u>\$ 20,627.99</u>   | <u>\$ 319,189,349.05</u>                        | <u>\$ 5,038,738.12</u>                                     | <u>\$ 1,163,877,647.14</u> |

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit A-2 300 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2011

|  | Consolidated Accounts                                 |  |  |   |
|--|---|--|--|---|
|  | General Revenue<br>Fund 0001<br>(0001)*<br>U/F (0001) | Operators &<br>Chauffeurs License<br>(0099)*<br>U/F (4541, 4542<br>4543, 4544, 4545) | Governor's Office<br>Federal Projects<br>(0224)*<br>U/F (0224) | American<br>Recovery &<br>Reinvest Act (Fed)<br>(0369)*<br>U/F (0369) |
| <b>REVENUE</b>                                   |   |  |  |   |
| Legislative Appropriations                       |   |  |  |   |
| Original Appropriations                          | \$ 2,762,569.00                                       | \$ -   | \$ -   | \$ -  |
| Additional Appropriations                        | 578,965.10  |  |  |   |
| Federal Revenue                                  | 1,128,246.05  |  | 21,350,503.89  | 33,486,053.92   |
| Federal Grant Pass-Through Revenue               | 911,169.12  |  |  | 7,205,000.68  |
| License, Fees & Permits                          | 2,199,026.40  |  |  |   |
| Interest and Other Investment Income             |   |  | 410,349.09   | 212,076.82  |
| Net Increase (Decrease) in Fair Value            |   |  |  |   |
| Sales of Goods and Services                      | 327,987.50  |  |  |   |
| Other  | 95,041.44   |  |  | 658.66  |
| Total Revenue                                    | <u>8,003,004.61</u>                                   | <u>-</u>   | <u>21,760,852.98</u>   | <u>40,903,790.08</u>  |
| <b>EXPENDITURES</b>                              |   |  |  |   |
| Salaries and Wages                               | 2,598,011.88  |  | 60,965.25  | 1,395,805.94  |
| Payroll Related Costs                            | 625,166.14  |  | 6,337.93   | 278,957.26  |
| Professional Fees and Services                   | 512,653.39  |  | 505,689.80   | 421,542.67  |
| Travel   | 219,659.21  |  | 6,434.12   | 25,648.61   |
| Materials and Supplies                           | 80,515.37   |  | 1,894.91   | 41,720.73   |
| Communication and Utilities                      | 129,431.69  |  | 5,337.59   | 3,038.91  |
| Repairs and Maintenance                          | 7,200.00  |  |  | 1,718.72  |
| Rentals and Leases                               | 213,198.14  |  | 9,313.33   | 2,891.60  |
| Printing and Reproduction                        | 24,719.12   |  | 60.68  | 47.51   |
| Federal Grant Pass-Through Expenditures          |   |  | 3,833,062.35   | 9,031,463.98  |
| State Grant Pass-Through Expenditures            | 5,126,114.50  | 125,102.14   |  |   |
| Intergovernmental Payments                       | 10,517,237.27   | 4,063,149.82   | 15,598,913.38  | 25,578,644.01   |
| Public Assistance Payments                       | 1,733,864.94  |  | 1,276,689.66   | 3,322,936.70  |
| Other Expenditures                               | 18,768,372.21   |  | 45,804.89  | 587,296.62  |
| Total Expenditures                               | <u>40,556,143.86</u>                                  | <u>4,188,251.96</u>  | <u>21,350,503.89</u>   | <u>40,691,713.26</u>  |
| Excess (Deficiency) of Revenue over Expenditures | <u>(32,553,139.25)</u>                                | <u>(4,188,251.96)</u>  | <u>410,349.09</u>  | <u>212,076.82</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>            |   |  |  |   |
| Transfer In                                      |   | 987,458.95   |  |   |
| Transfer Out                                     | (25,127,177.66)                                       |  | (1,341.36)   | (495.99)  |
| Legislative Transfer In (Note 12)                | 9,564,532.16  |  |  |   |
| Legislative Transfer Out (Note 12)               | (2,262,202.16)  |  |  |   |
| Lapses   | (5,611,752.74)  |  |  |   |
| Total Other Financing Sources (Uses)             | <u>(23,436,600.40)</u>                                | <u>987,458.95</u>  | <u>(1,341.36)</u>  | <u>(495.99)</u>   |
| Net Change in Fund Balances                      | <u>(55,989,739.65)</u>                                | <u>(3,200,793.01)</u>  | <u>409,007.73</u>  | <u>211,580.83</u>   |
| <b>Fund Financial Statement - Fund Balances</b>  |   |  |  |   |
| Fund Balances, September 1, 2010                 | 154,217,987.64  | 3,200,793.01   | 7,966,751.24   | 1,408,146.53  |
| Restatements (Note 14)                           |   |  |  |   |
| Fund Balances, September 1, 2010, as Restated    | <u>154,217,987.64</u>                                 | <u>3,200,793.01</u>  | <u>7,966,751.24</u>  | <u>1,408,146.53</u>   |
| Appropriations Lapsed                            |   |  |  |   |
| Fund Balances, August 31, 2011                   | <u>\$ 98,228,247.99</u>                               | <u>\$ -</u>  | <u>\$ 8,375,758.97</u>   | <u>\$ 1,619,727.36</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)

Consolidated Accounts

| Criminal Justice<br>Planning<br>(0421)*<br>U/F (0421) | Rural Economic<br>Development<br>(0425)*<br>U/F (0425) | Hotel Occupancy<br>Tax for Economic<br>Development<br>(5003)*<br>U/F (5003) | Crime Stoppers<br>Assistance<br>(5012)*<br>U/F (5012) | Tourism<br>Plates<br>(5053)*<br>U/F (5053) |
|---|--|---|---|--|
| \$ -  | \$ -   | \$ -  | \$ -  | \$ -                                       |
| 46,689,299.23   |  |   |   |  |
| 24,219,948.57   |  |   | 513,560.29  | 22,450.53                                  |
|   | 3,328.23   |   |   |  |
|   |  | 30,605.17   |   |  |
| 9,062.97  |  | 3,844.74  |   |  |
| <u>70,918,310.77</u>                                  | <u>3,328.23</u>  | <u>34,449.91</u>  | <u>513,560.29</u>                                     | <u>22,450.53</u>                           |
| 1,173,028.31  |  | 1,132,071.85  |   |  |
| 331,855.59  |  | 272,838.88  |   |  |
| 3,282,067.71  |  | 3,419,543.37  | 278,635.00  |  |
| 34,667.84   |  | 18,734.63   |   |  |
| 3,195.27  |  | 11,148.18   |   |  |
| 8,488.77  |  | 114,215.91  |   |  |
| 14,794.12   |  | 53,888.86   |   |  |
| 108.58  |  | 177.17  |   |  |
| 1,550,914.48  |  |   |   |  |
| 3,225,790.90  |  |   | (442.99)  |  |
| 18,405,501.43   |  |   |   |  |
| 40,151,976.14   |  |   | 322,571.17  |  |
| 194,572.83  |  | 21,287,938.93   |   |  |
| <u>68,376,961.97</u>                                  | <u>-</u>   | <u>26,310,557.78</u>  | <u>600,763.18</u>                                     | <u>-</u>                                   |
| 2,541,348.80  | 3,328.23   | (26,276,107.87)   | (87,202.89)   | 22,450.53                                  |
|   |  | 29,521,301.92   |   |  |
|   |  | (150,000.00)  |   |  |
| <u>-</u>  | <u>-</u>   | <u>29,371,301.92</u>  | <u>-</u>  | <u>-</u>                                   |
| 2,541,348.80  | 3,328.23   | 3,095,194.05  | (87,202.89)   | 22,450.53                                  |
| 42,943,128.30   | 391,300.74   | 10,274,016.02   | 802,765.70  | 85,873.07                                  |
| 339,317.86  |  |   |   |  |
| <u>43,282,446.16</u>                                  | <u>391,300.74</u>                                      | <u>10,274,016.02</u>  | <u>802,765.70</u>                                     | <u>85,873.07</u>                           |
| <u>\$ 45,823,794.96</u>                               | <u>\$ 394,628.97</u>                                   | <u>\$ 13,369,210.07</u>   | <u>\$ 715,562.81</u>                                  | <u>\$ 108,323.60</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, 2011

|  | Consolidated Accounts                        |   |   |  |
|--|--|---|---|--|
|  | Texas<br>Enterprise<br>(5107)*<br>U/F (5107) | Economic<br>Development<br>and Tourism<br>(5110)*<br>U/F (5110) | Texas Music<br>Foundation Plates<br>(5113)*<br>U/F (5113) | Texas Military<br>Value<br>Revolving Loan<br>(5114)*<br>U/F (5140, 5141, 5142, |
| <b>REVENUE</b>                                   |  |   |   |  |
| Legislative Appropriations                       |  |   |   |  |
| Original Appropriations                          | \$ -   | \$ -  | \$ -  | \$ -   |
| Additional Appropriations                        |  |   |   |  |
| Federal Revenue                                  |  |   |   |  |
| Federal Grant Pass-Through Revenue               |  |   |   |  |
| License, Fees & Permits                          | 2,605,951.00                                 | 8,171.06  | 9,924.48  |  |
| Interest and Other Investment Income             | 2,114,031.55                                 |   |   | 2,489,696.17   |
| Net Increase (Decrease) in Fair Value            |  |   |   |  |
| Sales of Goods and Services                      |  |   |   |  |
| Other  |  |   |   |  |
| Total Revenue                                    | <u>4,719,982.55</u>                          | <u>8,171.06</u>   | <u>9,924.48</u>   | <u>2,489,696.17</u>  |
| <b>EXPENDITURES</b>                              |  |   |   |  |
| Salaries and Wages                               |  |   |   |  |
| Payroll Related Costs                            |  |   |   |  |
| Professional Fees and Services                   |  |   |   |  |
| Travel   |  | 2,070.51  |   |  |
| 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                       |  |   | 11,778.75   |  |
| Other Expenditures                               | 535,531.00                                   | 420.00  |   |  |
| Total Expenditures                               | <u>535,531.00</u>                            | <u>2,490.51</u>   | <u>11,778.75</u>  | <u>-</u>   |
| Excess (Deficiency) of Revenue over Expenditures | <u>4,184,451.55</u>                          | <u>5,680.55</u>   | <u>(1,854.27)</u>   | <u>2,489,696.17</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>            |  |   |   |  |
| Transfer In                                      |  |   |   | 7,014.39   |
| Transfer Out                                     |  |   |   | (2,944,942.31)   |
| Legislative Transfer In (Note 12)                |  |   |   |  |
| Legislative Transfer Out (Note 12)               |  |   |   |  |
| Lapses   |  |   |   |  |
| Total Other Financing Sources (Uses)             | <u>-</u>                                     | <u>-</u>  | <u>-</u>  | <u>(2,937,927.92)</u>  |
| Net Change in Fund Balances                      | <u>4,184,451.55</u>                          | <u>5,680.55</u>   | <u>(1,854.27)</u>   | <u>(448,231.75)</u>  |
| <b>Fund Financial Statement - Fund Balances</b>  |  |   |   |  |
| Fund Balances, September 1, 2010                 | 569,030,776.51                               | 65,499.79   | 12,253.15   | 47,730,866.16  |
| Restatements (Note 14)                           |  |   |   | 1,919,475.57   |
| Fund Balances, September 1, 2010, as Restated    | <u>569,030,776.51</u>                        | <u>65,499.79</u>  | <u>12,253.15</u>  | <u>49,650,341.73</u>   |
| Appropriations Lapsed                            |  |   |   |  |
| Fund Balances, August 31, 2011                   | <u>\$ 573,215,228.06</u>                     | <u>\$ 71,180.34</u>   | <u>\$ 10,398.88</u>                                       | <u>\$ 49,202,109.98</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)

Consolidated Accounts

| Daughters of the<br>Republic of<br>Texas<br>(5115)*<br>U/F (5115) | Emerging<br>Technology<br>(5124)*<br>U/F (5124) | BP Oil Spill Tx<br>Response Grant<br>(5149)*<br>U/F (5149) | Total<br>(Exhibit II 300)  |
|---|---|--|----------------------------|
| \$ -  | \$ -  | \$ -   | \$ 2,762,569.00            |
|   |   |  | 578,965.10                 |
|   |   |  | 102,654,103.09             |
|   |   |  | 8,116,169.80               |
| 81,457.36   |   |  | 29,660,489.69              |
|   | 1,226,360.24                                    | 38,738.12  | 6,494,580.22               |
|   | 7,657,789.90                                    |  | 7,657,789.90               |
|   |   |  | 358,592.67                 |
|   | 13,909.63                                       | 5,000,000.00   | 5,122,517.44               |
| <u>81,457.36</u>  | <u>8,898,059.77</u>                             | <u>5,038,738.12</u>  | <u>163,405,776.91</u>      |
|   | 356,157.34                                      |  | 6,716,040.57               |
|   | 86,208.73                                       |  | 1,601,364.53               |
|   | 45,475.20                                       |  | 8,465,607.14               |
|   | 13,962.74                                       |  | 321,177.66                 |
|   | 656.77  |  | 139,131.23                 |
|   | 5,580.04  |  | 266,092.91                 |
|   |   |  | 8,918.72                   |
|   | 2,423.57  |  | 296,509.62                 |
|   | 41.60   |  | 25,154.66                  |
|   |   |  | 14,415,440.81              |
|   | 5,466,369.95                                    |  | 13,942,934.50              |
|   |   |  | 74,163,445.91              |
| 81,457.36   | 1,337,700.00                                    |  | 48,238,974.72              |
|   | 41,258.71                                       |  | 41,461,195.19              |
| <u>81,457.36</u>  | <u>7,355,834.65</u>                             | <u>-</u>   | <u>210,061,988.17</u>      |
| <u>-</u>  | <u>1,542,225.12</u>                             | <u>5,038,738.12</u>  | <u>(46,656,211.26)</u>     |
|   | 32,714,706.23                                   |  | 63,230,481.49              |
|   |   |  | (28,223,957.32)            |
|   |   |  | 9,564,532.16               |
|   |   |  | (2,262,202.16)             |
|   |   |  | (5,611,752.74)             |
| <u>-</u>  | <u>32,714,706.23</u>                            | <u>-</u>   | <u>36,697,101.43</u>       |
| <u>-</u>  | <u>34,256,931.35</u>                            | <u>5,038,738.12</u>  | <u>(9,959,109.83)</u>      |
|   | 153,925,938.53                                  |  | 992,056,096.39             |
|   | 130,270,325.25                                  |  | 132,529,118.68             |
| <u>-</u>  | <u>284,196,263.78</u>                           | <u>-</u>   | <u>1,124,585,215.07</u>    |
| <u>\$ -</u>   | <u>\$ 318,453,195.13</u>                        | <u>\$ 5,038,738.12</u>                                     | <u>\$ 1,114,626,105.24</u> |

UNAUDITED

Office of the Governor - Trusteed Programs (300)  
 Exhibit B-1 300 - Combining Balance Sheet - Special Revenue Funds  
 For the Fiscal Year Ended August 31, 2011

|                                      | Small Business<br>Incubator Fund<br>(0588)*<br>U/F (5881) | Texas<br>Product<br>Development Fund<br>(0589)*<br>U/F (5891) | Texas Military<br>Value Revolving<br>Loan<br>(7028)*<br>U/F (7281,<br>7282, 7283) | Blended<br>Component Units<br>(9999)*<br>U/F (7010) | Total<br>(Exhibit I 300) |
|--------------------------------------|---|---|---|---|--------------------------|
| <b>ASSETS</b>                        |   |   |   |   |                          |
| Current Assets:                      |   |   |   |   |                          |
| Cash and Cash Equivalents            |   |   |   |   |                          |
| Cash in State Treasury               | \$ 17,189,084.95  | \$ 17,031,062.62  | \$ -  | \$ -  | \$ 34,220,147.57         |
| Cash Equivalents (Note 3)            |   |   |   | 566,949.71  | 566,949.71               |
| Restricted Cash and Cash Equivalents |   |   |   |   |                          |
| Cash in State Treasury               | 2,100,000.00  | 2,625,000.00  |   |   | 4,725,000.00             |
| Cash In Bank (Note 3)                |   |   |   | 355,996.96  | 355,996.96               |
| Receivables from:                    |   |   |   |   |                          |
| Interest and Dividends               | 15,571.64   | 28,136.33   |   |   | 43,707.97                |
| Accounts Receivable                  |   |   |   | 25,000.00   | 25,000.00                |
| Prepaid Items                        | 2,040.28  | 2,484.72  |   |   | 4,525.00                 |
| Loans and Contracts                  | 249,999.96  | 958,841.93  |   |   | 1,208,841.89             |
| Other Current Assets                 |   |   |   |   |                          |
| Total Current Assets                 | <u>19,556,696.83</u>                                      | <u>20,645,525.60</u>  | <u>-</u>  | <u>947,946.67</u>                                   | <u>41,150,169.10</u>     |
| Non-Current Assets:                  |   |   |   |   |                          |
| Loans and Contracts                  | <u>1,146,103.34</u>                                       | <u>5,470,800.93</u>   |   | <u>0.00</u>   | <u>6,616,904.27</u>      |
| Total Non-Current Assets             | <u>1,146,103.34</u>                                       | <u>5,470,800.93</u>   | <u>-</u>  | <u>-</u>  | <u>6,616,904.27</u>      |
| Total Assets                         | <u>\$ 20,702,800.17</u>                                   | <u>\$ 26,116,326.53</u>                                       | <u>\$ -</u>   | <u>\$ 947,946.67</u>                                | <u>\$ 47,767,073.37</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |   |   |   |   |                          |
| Liabilities                          |   |   |   |   |                          |
| Current Liabilities:                 |   |   |   |   |                          |
| Payables from:                       |   |   |   |   |                          |
| Accounts                             | \$ 6,833.34   | \$ 8,541.67   | \$ -  | \$ 271.19   | \$ 15,646.20             |
| Total Current Liabilities            | <u>6,833.34</u>   | <u>8,541.67</u>   | <u>-</u>  | <u>271.19</u>                                       | <u>15,646.20</u>         |
| Total Liabilities                    | <u>6,833.34</u>   | <u>8,541.67</u>   | <u>-</u>  | <u>271.19</u>                                       | <u>15,646.20</u>         |
| Fund Balances (Deficits):            |   |   |   |   |                          |
| Nonspendable                         | 2,040.28  | 2,484.72  |   |   | 4,525.00                 |
| Restricted                           | 20,693,926.55   | 26,105,300.14   |   |   | 46,799,226.69            |
| Committed                            |   |   |   | 947,675.48  | 947,675.48               |
| Assigned                             |   |   |   |   |                          |
| Unassigned                           |   |   |   |   |                          |
| Total Fund Balances                  | <u>20,695,966.83</u>                                      | <u>26,107,784.86</u>  | <u>-</u>  | <u>947,675.48</u>                                   | <u>47,751,427.17</u>     |
| Total Liabilities and Fund Balances  | <u>\$ 20,702,800.17</u>                                   | <u>\$ 26,116,326.53</u>                                       | <u>\$ -</u>   | <u>\$ 947,946.67</u>                                | <u>\$ 47,767,073.37</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 - Trusteed Programs (300)

Exhibit B-2 300 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Special Revenue Funds

For the Fiscal Year Ended August 31, 2011

|  | Small Business<br>Incubator Fund<br>(0588)*<br>U/F (5881) | Texas<br>Product<br>Development Fund<br>(0589)*<br>U/F (5891) | Texas Military<br>Value Revolving<br>Loan<br>(7028)*<br>U/F (7281,<br>7282, 7283) | Blended<br>Component Units<br>(9999)*<br>U/F (7010) | Totals<br>(Exhibit II 300) |
|--|---|---|---|---|----------------------------|
| <b>REVENUE</b>                                   |   |   |   |   |                            |
| License, Fees & Permits                          | \$ -  | \$ 77,950.00  | \$ -  | \$ 150.00   | \$ 78,100.00               |
| Interest and Other Investment Income             | 214,496.90  | 404,789.64  |   | 14,109.40   | 633,395.94                 |
| Other  | 2,527.78  | 3,159.72  |   | 549,673.53  | 555,361.03                 |
| Total Revenue                                    | <u>217,024.68</u>   | <u>485,899.36</u>   | <u>-</u>  | <u>563,932.93</u>                                   | <u>1,266,856.97</u>        |
| <b>EXPENDITURES</b>                              |   |   |   |   |                            |
| Salaries and Wages                               |   |   |   | 69,727.53   | 69,727.53                  |
| Payroll Related Costs                            |   |   |   | 13,873.22   | 13,873.22                  |
| Professional Fees and Services                   | 31,729.82   | 81,218.19   |   | 11,598.95   | 124,546.96                 |
| Travel   |   |   |   | 2,168.10  | 2,168.10                   |
| Materials and Supplies                           |   |   |   | 7,694.93  | 7,694.93                   |
| Communication and Utilities                      |   |   |   | 1,217.13  | 1,217.13                   |
| Rentals and Leases                               |   |   |   | 30.00   | 30.00                      |
| Printing and Reproduction                        |   |   |   | 1,212.26  | 1,212.26                   |
| Public Assistance Payments                       |   |   |   | 2,170,896.78  | 2,170,896.78               |
| Other Expenditures                               | 7,591.15  | 12,569.58   |   | 8,714.80  | 28,875.53                  |
| Total Expenditures                               | <u>39,320.97</u>  | <u>93,787.77</u>  | <u>-</u>  | <u>2,287,133.70</u>                                 | <u>2,420,242.44</u>        |
| Excess (Deficiency) of Revenue over Expenditures | <u>177,703.71</u>   | <u>392,111.59</u>   | <u>-</u>  | <u>(1,723,200.77)</u>                               | <u>(1,153,385.47)</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>            |   |   |   |   |                            |
| Bond and Note Proceeds                           |   |   |   |   |                            |
| Increase in Obligations Under Capital Leases     |   |   |   |   |                            |
| Sale of Capital Assets                           |   |   |   |   |                            |
| Transfer In                                      |   |   |   |   |                            |
| Transfer Out                                     | (160,680.81)  | (172,726.01)  |   |   | (333,406.82)               |
| Total Other Financing Sources (Uses)             | <u>(160,680.81)</u>                                       | <u>(172,726.01)</u>   | <u>-</u>  | <u>-</u>  | <u>(333,406.82)</u>        |
| Net Change in Fund Balances                      | <u>17,022.90</u>  | <u>219,385.58</u>   | <u>-</u>  | <u>(1,723,200.77)</u>                               | <u>(1,486,792.29)</u>      |
| <b>Fund Financial Statement - Fund Balances</b>  |   |   |   |   |                            |
| Fund Balances, September 1, 2010                 | 20,678,943.93   | 25,888,399.28   |   | 2,670,876.25  | 49,238,219.46              |
| Restatements (Note 14)                           |   |   |   |   |                            |
| Fund Balances - September 1, 2010, as Restated   | <u>20,678,943.93</u>                                      | <u>25,888,399.28</u>  | <u>-</u>  | <u>2,670,876.25</u>                                 | <u>49,238,219.46</u>       |
| Appropriations Lapsed                            |   |   |   |   |                            |
| Fund Balances, August 31, 2011                   | <u>\$ 20,695,966.83</u>                                   | <u>\$ 26,107,784.86</u>                                       | <u>\$ -</u>   | <u>\$ 947,675.48</u>                                | <u>\$ 47,751,427.17</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 - Trusteed Programs (300)  
 Exhibit C-1 300 - Combining Balance Sheet - Debt Service Funds  
 For the Fiscal Year Ended August 31, 2011

|                                      | Small Business<br>Incubator Fund<br>(0588)*<br>U/F (5882) | Texas Product<br>Development Fund<br>(0589)*<br>U/F (5892) | Texas Military<br>Value Revolving<br>Loan<br>(7022)*<br>U/F (7221) |
|--------------------------------------|---|--|--|
| <b>ASSETS</b>                        |   |  |  |
| Current Assets:                      |   |  |  |
| Cash and Cash Equivalents            |   |  |  |
| Cash in State Treasury               | \$ -  | \$ -   | \$ 154.38  |
| Receivables from:                    |   |  |  |
| Interest and Dividends               |   |  |  |
| Total Current Assets                 | <u>-</u>  | <u>-</u>   | <u>154.38</u>  |
| Total Assets                         | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 154.38</u>   |
| <b>LIABILITIES AND FUND BALANCES</b> |   |  |  |
| Liabilities                          |   |  |  |
| Current Liabilities:                 |   |  |  |
| Total Current Liabilities            | <u>-</u>  | <u>-</u>   | <u>-</u>   |
| Total Liabilities                    | <u>-</u>  | <u>-</u>   | <u>-</u>   |
| Fund Balances (Deficits):            |   |  |  |
| Restricted                           |   |  | 154.38   |
| Total Fund Balances                  | <u>-</u>  | <u>-</u>   | <u>154.38</u>  |
| Total Liabilities and Fund Balances  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 154.38</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)

| Texas Military<br>Value Revolving<br>Loan<br>(7026)*<br>U/F (7262) | Texas Military<br>Value Revolving<br>Loan<br>(7027)*<br>U/F (7273) | Total<br>(Exhibit I 300) |
|--|--|--------------------------|
| \$ 161.11  | \$ 570.37  | \$ 885.86                |
|  | 0.31   | 0.31                     |
| <u>161.11</u>  | <u>570.68</u>  | <u>886.17</u>            |
| <u>\$ 161.11</u>   | <u>\$ 570.68</u>   | <u>\$ 886.17</u>         |
| \$ -   | \$ -   | \$ -                     |
| -  | -  | -                        |
| -  | -  | -                        |
| 161.11   | 570.68   | 886.17                   |
| <u>161.11</u>  | <u>570.68</u>  | <u>886.17</u>            |
| <u>\$ 161.11</u>   | <u>\$ 570.68</u>   | <u>\$ 886.17</u>         |

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit C-2 300 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds

For the Fiscal Year Ended August 31, 2011

|  | Small Business<br>Incubator Fund<br>(0588)*<br>U/F (5882) | Texas Product<br>Development Fund<br>(0589)*<br>U/F (5892) | Texas Military<br>Value Revolving<br>Loan<br>(7022)*<br>U/F (7221) |
|--|---|--|--|
| <b>REVENUE</b>                                   |   |  |  |
| Interest and Other Investment Income             | \$ -  | \$ -   | \$ 197.55  |
| Total Revenue                                    | <u>-</u>  | <u>-</u>   | <u>197.55</u>  |
| <b>EXPENDITURES</b>                              |   |  |  |
| Debt Service:                                    |   |  |  |
| Principal  |   |  | 450,000.00   |
| Interest   | 48,180.81   | 60,226.01  | 442,612.50   |
| Total Expenditures                               | <u>48,180.81</u>  | <u>60,226.01</u>   | <u>892,612.50</u>  |
| Excess (Deficiency) of Revenue over Expenditures | <u>(48,180.81)</u>  | <u>(60,226.01)</u>   | <u>(892,414.95)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>            |   |  |  |
| Transfer In                                      | 48,180.81   | 60,226.01  | 892,612.56   |
| Transfer Out                                     |   |  | (1,311.20)   |
| Total Other Financing Sources (Uses)             | <u>48,180.81</u>  | <u>60,226.01</u>   | <u>891,301.36</u>  |
| Net Change in Fund Balances                      | <u>-</u>  | <u>-</u>   | <u>(1,113.59)</u>  |
| <b>Fund Financial Statement - Fund Balances</b>  |   |  |  |
| Fund Balances, September 1, 2010                 | -   | -  | 1,267.97   |
| Restatements (Note 14)                           |   |  |  |
| Fund Balances, September 1, 2010, as Restated    | <u>-</u>  | <u>-</u>   | <u>1,267.97</u>  |
| Appropriations Lapsed                            |   |  |  |
| Fund Balances, August 31, 2011                   | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 154.38</u>   |

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

UNAUDITED

| Texas Military<br>Value Revolving<br>Loan<br>(7026)*<br>U/F (7262) | Texas Military<br>Value Revolving<br>Loan<br>(7027)*<br>U/F (7273) | Totals<br>(Exhibit II 300) |
|--|--|----------------------------|
| \$ 176.56  | \$ 625.44  | \$ 999.55                  |
| <u>176.56</u>  | <u>625.44</u>  | <u>999.55</u>              |
|  |  | 450,000.00                 |
| 452,600.00   | 1,599,850.00   | 2,603,469.32               |
| <u>452,600.00</u>  | <u>1,599,850.00</u>  | <u>3,053,469.32</u>        |
| (452,423.44)   | (1,599,224.56)   | (3,052,469.77)             |
| 452,600.08   | 1,599,850.00   | 3,053,469.46               |
| (1,285.66)   | (4,537.86)   | (7,134.72)                 |
| <u>451,314.42</u>  | <u>1,595,312.14</u>  | <u>3,046,334.74</u>        |
| (1,109.02)   | (3,912.42)   | (6,135.03)                 |
| 1,270.13   | 4,483.10   | 7,021.20                   |
| <u>1,270.13</u>  | <u>4,483.10</u>  | <u>7,021.20</u>            |
| <u>\$ 161.11</u>   | <u>\$ 570.68</u>   | <u>\$ 886.17</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, 2011

|                                       | Economic<br>Development Bank<br>(5106)*<br>U/F (5106) | Capital Access Loan<br>Loss Reserve Account<br>(9999)*<br>U/F (0995) | Totals<br>(Exhibit III 300) |
|---------------------------------------|---|--|-----------------------------|
| <b>ASSETS</b>                         |   |  |                             |
| Current Assets:                       |   |  |                             |
| Cash and Cash Equivalents             |   |  |                             |
| Cash in State Treasury                | \$ 9,129,430.33                                       | \$ -   | \$ 9,129,430.33             |
| Receivables from:                     |   |  |                             |
| Interest and Dividends                | 45,678.74   |  | 45,678.74                   |
| Prepaid Items                         | 1,650.00  |  | 1,650.00                    |
| Loans and Contracts                   | 1,663,673.84  |  | 1,663,673.84                |
| Total Current Assets                  | <u>10,840,432.91</u>                                  | <u>-</u>   | <u>10,840,432.91</u>        |
| Non-Current Assets:                   |   |  |                             |
| Restricted Cash and Cash Equivalents  |   |  |                             |
| Cash In Bank (Note 3)                 |   | 207,418.17   | 207,418.17                  |
| Loans and Contracts                   | 18,089,866.77   |  | 18,089,866.77               |
| Total Non-Current Assets              | <u>18,089,866.77</u>                                  | <u>207,418.17</u>  | <u>18,297,284.94</u>        |
| Total Assets                          | <u>\$ 28,930,299.68</u>                               | <u>\$ 207,418.17</u>   | <u>\$ 29,137,717.85</u>     |
| <b>LIABILITIES</b>                    |   |  |                             |
| Current Liabilities:                  |   |  |                             |
| Payables from:                        |   |  |                             |
| Accounts                              | \$ 105,217.67   | \$ -   | \$ 105,217.67               |
| Payroll                               | 41,724.49   |  | 41,724.49                   |
| Interfund Payable (Note 12)           | 1.50  |  | 1.50                        |
| Notes and Loans Payable (Note 5)      | 20,000,000.00   |  | 20,000,000.00               |
| Employees' Compensable Leave (Note 5) | 28,249.65   |  | 28,249.65                   |
| Total Current Liabilities             | <u>20,175,193.31</u>                                  | <u>-</u>   | <u>20,175,193.31</u>        |
| Non-Current Liabilities               |   |  |                             |
| Employees' Compensable Leave (Note 5) | 23,326.80   |  | 23,326.80                   |
| Total Non-Current Liabilities         | <u>23,326.80</u>                                      | <u>-</u>   | <u>23,326.80</u>            |
| Total Liabilities                     | <u>20,198,520.11</u>                                  | <u>-</u>   | <u>20,198,520.11</u>        |
| <b>Net Assets</b>                     |   |  |                             |
| Restricted For                        |   |  |                             |
| Other                                 | 1,633,208.05  | 207,418.17   | 1,840,626.22                |
| Unrestricted                          | 7,098,571.52  |  | 7,098,571.52                |
| Total Net Assets                      | <u>\$ 8,731,779.57</u>                                | <u>\$ 207,418.17</u>   | <u>\$ 8,939,197.74</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 - Trusteed Programs (300)

Exhibit F-2 300 - Combining Statement of Revenues Expenses and Changes in Net Assets - Enterprise Funds  
For the Fiscal Year Ended August 31, 2011

|  | Economic<br>Development Bank<br>(5106)*<br>U/F (5106) | Capital Access Loan<br>Loss Reserve Account<br>(9999)*<br>U/F (0995) | Totals<br>(Exhibit IV 300) |
|--|---|--|----------------------------|
| <b>Operating Revenue</b>   |   |  |                            |
| Interest and Investment Income   | \$ 536,668.44   | \$ -   | \$ 536,668.44              |
| Other Operating Revenue  | 278,100.00  | 422.73   | 278,522.73                 |
| Total Operating Revenue  | <u>814,768.44</u>                                     | <u>422.73</u>  | <u>815,191.17</u>          |
| <b>Operating Expenses:</b>   |   |  |                            |
| Salaries and Wages   | 491,154.85  |  | 491,154.85                 |
| Payroll Related Costs  | 127,242.68  |  | 127,242.68                 |
| Professional Fees and Services   | 9,115.00  |  | 9,115.00                   |
| Travel   | 4,388.96  |  | 4,388.96                   |
| Materials and Supplies   | 1,849.63  |  | 1,849.63                   |
| Communication and Utilities  | 33,195.24   |  | 33,195.24                  |
| Rentals and Leases   | 1,800.00  |  | 1,800.00                   |
| Printing and Reproduction  | 32.50   | 2.00   | 34.50                      |
| Bad Debt Expense   |   |  |                            |
| Other Operating Expenses   | 272,903.93  |  | 272,903.93                 |
| Total Operating Expenses   | <u>941,682.79</u>                                     | <u>2.00</u>  | <u>941,684.79</u>          |
| Operating Income (Loss)  | <u>(126,914.35)</u>                                   | <u>420.73</u>  | <u>(126,493.62)</u>        |
| <b>Nonoperating Revenue (Expenses)</b>                                       |   |  |                            |
| Gifts, Pledges and Donations   | 495.00  |  | 495.00                     |
| Investment Income (Expense)  | 53,928.57   | 648.41   | 54,576.98                  |
| Interest Expenses and Fiscal Charges   | (58,503.06)   |  | (58,503.06)                |
| Total Other Nonoperating Revenue (Expenses)                                  | <u>(4,079.49)</u>                                     | <u>648.41</u>  | <u>(3,431.08)</u>          |
| Income (Loss) Before Other Revenue, Expenses,<br>Gains/Losses, and Transfers | <u>(130,993.84)</u>                                   | <u>1,069.14</u>  | <u>(129,924.70)</u>        |
| <b>Other Revenue, Expenses, Gains/Losses, and Transfers</b>                  |   |  |                            |
| Transfer In  | 983,512.39  |  | 983,512.39                 |
| Transfer Out   |   | (472.86)   | (472.86)                   |
| Total Other Revenue, Expenses, Gains/Losses, and Trar                        | <u>983,512.39</u>                                     | <u>(472.86)</u>  | <u>983,039.53</u>          |
| Change in Net Assets   | <u>852,518.55</u>                                     | <u>596.28</u>  | <u>853,114.83</u>          |
| Total Net Assets, September 1, 2010  | 7,879,261.02  | 206,821.89   | 8,086,082.91               |
| Restatements   |   |  |                            |
| Total Net Assets, September 1, 2010, as Restated                             | <u>7,879,261.02</u>                                   | <u>206,821.89</u>  | <u>8,086,082.91</u>        |
| Total Net Assets, August 31, 2011  | <u>\$ 8,731,779.57</u>                                | <u>\$ 207,418.17</u>   | <u>\$ 8,939,197.74</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 - Trusteed Programs (300)  
 Exhibit F-3 300 - Combining Statement of Cash Flows - Enterprise Funds  
 For the Fiscal Year Ended August 31, 2011

|  | Economic<br>Development Bank<br>(5106)*<br>U/F (5106) | Capital Access Loan<br>Loss Reserve Account<br>(9999)*<br>U/F (0995) | Totals<br>(Ex V 300)     |
|--|---|--|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |  |                          |
| Proceeds from Loan Programs  | \$ 2,193,012.04                                       | \$ -   | \$ 2,193,012.04          |
| Proceeds from Other Revenue  | 278,100.00  | 422.73   | 278,522.73               |
| Payments to Employees for Salaries   | (514,679.62)  |  | (514,679.62)             |
| Payments to Employees for Benefits   | (127,242.68)  |  | (127,242.68)             |
| Payments for Loans Provided  | (5,250,000.00)  |  | (5,250,000.00)           |
| Payments for Other Expenses  | (237,965.27)  | (2.00)   | (237,967.27)             |
| Net Cash Provided by Operating Activities  | <u>(3,658,775.53)</u>                                 | <u>420.73</u>  | <u>(3,658,354.80)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |   |  |                          |
| Proceeds from Debt Issuance  | 8,500,000.00  |  | 8,500,000.00             |
| Proceeds of Transfers from Other Funds   | 983,512.39  |  | 983,512.39               |
| Payments of Interest   | (57,833.89)   |  | (57,833.89)              |
| Payments of Other Costs of Debt Issuance   | (9,115.00)  |  | (9,115.00)               |
| Payments for Transfers to Other Funds  |   | (472.86)   | (472.86)                 |
| Net Cash Provided by Noncapital Financing Activities                                       | <u>9,416,563.50</u>                                   | <u>(472.86)</u>  | <u>9,416,090.64</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |  |                          |
| Proceeds from Interest Income  | 51,146.33   | 648.41   | 51,794.74                |
| Net Cash Provided by Investing Activities  | <u>51,146.33</u>                                      | <u>648.41</u>  | <u>51,794.74</u>         |
| Net Increase/(Decrease) in Cash and Cash Equivalents                                       | 5,808,934.30  | 596.28   | 5,809,530.58             |
| Cash and Cash Equivalents, September 1, 2010   | 3,320,496.03  | 206,821.89   | 3,527,317.92             |
| Restatement to Beginning Cash & Cash Equivalents   |   |  |                          |
| Cash and Cash Equivalents,<br>September 1, 2010, as Restated                               | <u>3,320,496.03</u>                                   | <u>206,821.89</u>  | <u>3,527,317.92</u>      |
| Cash and Cash Equivalents, August 31, 2011   | <u>\$ 9,129,430.33</u>                                | <u>\$ 207,418.17</u>   | <u>\$ 9,336,848.50</u>   |
| <b>Reconciliation of Operating Income to<br/>Net Cash Provided by Operating Activities</b> |   |  |                          |
| Operating Income (Loss)  | \$ (126,914.35)                                       | \$ 420.73  | \$ (126,493.62)          |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided by Operating Activities  |   |  |                          |
| Operating Income and Cash Flow Categories:   |   |  |                          |
| Classification Differences   | 11,723.07   |  | 11,723.07                |
| Changes in Assets and Liabilities:   |   |  |                          |
| (Increase) Decrease in Loans & Contracts   | (3,586,900.99)  |  | (3,586,900.99)           |
| (Increase) Decrease in Prepaid Expenses  | 669.17  |  | 669.17                   |
| (Increase) Decrease in Accounts Receivable   | (9,537.65)  |  | (9,537.65)               |
| Increase (Decrease) in Payables  | 52,185.22   |  | 52,185.22                |
| Total Adjustments  | <u>(3,531,861.18)</u>                                 | <u>-</u>   | <u>(3,531,861.18)</u>    |
| Net Cash Provided by Operating Activities  | <u>\$ (3,658,775.53)</u>                              | <u>\$ 420.73</u>   | <u>\$ (3,658,354.80)</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 - Trusteed Programs (300)  
 Exhibit J-1 300 - Combining Statement of Changes in Assets and Liabilities - Agency Funds  
 For the Fiscal Year Ended August 31, 2011

|  | Beginning<br>Balance<br>September 1, 2010 | Additions        | Deductions       | Ending<br>Balance<br>August 31, 2011 |
|--|---|------------------|------------------|--------------------------------------|
| <b>Employee Savings Bond<br/>Account (0901), U/F (0901)*</b> |   |                  |                  |                                      |
| <b>ASSETS</b>  |   |                  |                  |                                      |
| Cash in State Treasury                                       | \$ 150.00                                 | \$ 450.00        | \$ 600.00        | \$ -                                 |
| Total Assets   | <u>\$ 150.00</u>                          | <u>\$ 450.00</u> | <u>\$ 600.00</u> | <u>\$ -</u>                          |
| <b>LIABILITIES</b>   |   |                  |                  |                                      |
| Funds Held for Others  | \$ 150.00                                 | \$ 450.00        | \$ 600.00        | \$ -                                 |
| Total Liabilities  | <u>\$ 150.00</u>                          | <u>\$ 450.00</u> | <u>\$ 600.00</u> | <u>\$ -</u>                          |
| <b>Totals - All Agency Funds</b>                             |   |                  |                  |                                      |
| <b>ASSETS</b>  |   |                  |                  |                                      |
| Cash in State Treasury                                       | \$ 150.00                                 | \$ 450.00        | \$ 600.00        | \$ -                                 |
| Total Assets   | <u>\$ 150.00</u>                          | <u>\$ 450.00</u> | <u>\$ 600.00</u> | <u>\$ -</u>                          |
| <b>LIABILITIES</b>   |   |                  |                  |                                      |
| Funds Held for Others  | \$ 150.00                                 | \$ 450.00        | \$ 600.00        | \$ -                                 |
| Total Liabilities  | <u>\$ 150.00</u>                          | <u>\$ 450.00</u> | <u>\$ 600.00</u> | <u>\$ -</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 - Trusteed Programs (300)

Exhibit K-1 300 - Combining Statement of Net Assets - Discretely Presented Component Units

For the Fiscal Year Ended August 31, 2011

|                                  | Texas Economic<br>Development<br>Corporation<br>(9999)*<br>U/F (7001) | Texas Small Business<br>Industrial Development<br>Corporation<br>(9999)*<br>U/F (7002) |
|----------------------------------|---|--|
| <b>ASSETS</b>                    |   |  |
| Current Assets:                  |   |  |
| Cash In Bank (Note 3)            | \$ -  | \$ -   |
| Cash Equivalents (Note 3)        | 1,932,117.13  | 23,579,538.24  |
| Restricted:                      |   |  |
| Cash and Cash Equivalents        |   |  |
| Cash In Bank (Note 3)            |   |  |
| Receivables from:                |   |  |
| Interest and Dividends           | 0.54  | 97,445.33  |
| Accounts Receivable              | 10,486.92   |  |
| Prepaid Items                    | 104,167.40  | 11,226.75  |
| Loans and Contracts              |   | 1,218,893.82   |
| Total Current Assets             | <u>2,046,771.99</u>   | <u>24,907,104.14</u>   |
| Non-Current Assets:              |   |  |
| Loans and Contracts              |   | 36,537,269.33  |
| Capital Assets (Note 2):         |   |  |
| Depreciable and Amortizable, Net | 10,612.33   |  |
| Total Non-Current Assets         | <u>10,612.33</u>  | <u>36,537,269.33</u>   |
| Total Assets                     | <u>\$ 2,057,384.32</u>  | <u>\$ 61,444,373.47</u>  |
| <b>LIABILITIES</b>               |   |  |
| Current Liabilities:             |   |  |
| Payables from:                   |   |  |
| Accounts                         | \$ 53,726.83  | \$ 216,729.26  |
| Other                            |   | 9,386.30   |
| Total Current Liabilities        | <u>53,726.83</u>  | <u>226,115.56</u>  |
| Non-Current Liabilities          |   |  |
| Revenue Bonds Payable (Note 5)   |   | 60,000,000.00  |
| Total Non-Current Liabilities    | <u>-</u>  | <u>60,000,000.00</u>   |
| Total Liabilities                | <u>53,726.83</u>  | <u>60,226,115.56</u>   |
| <b>Net Assets</b>                |   |  |
| Restricted For:                  |   |  |
| Other                            |   |  |
| Unrestricted                     | 2,003,657.49  | 1,218,257.91   |
| Total Net Assets                 | <u>\$ 2,003,657.49</u>  | <u>\$ 1,218,257.91</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

| Texas Disaster<br>Relief Fund, a<br>Non-Profit Corp.<br>(9999)*<br>U/F (7003) | Texas<br>Health Services<br>Authority<br>(9999)*<br>U/F (7004) | Totals<br>(Exhibit VIII - 300) |
|---|--|--------------------------------|
| \$ 718,313.62   | \$ -   | \$ 718,313.62                  |
|   |  | 25,511,655.37                  |
|   | 1,136,890.49   | 1,136,890.49                   |
| 4.09  |  | 97,449.96                      |
|   |  | 10,486.92                      |
|   | 6,311.34   | 121,705.49                     |
|   |  | 1,218,893.82                   |
| <u>718,317.71</u>   | <u>1,143,201.83</u>  | <u>28,815,395.67</u>           |
|   |  | 36,537,269.33                  |
|   | 21,004.74  | 31,617.07                      |
| <u>-</u>  | <u>21,004.74</u>   | <u>36,568,886.40</u>           |
| <u>\$ 718,317.71</u>  | <u>\$ 1,164,206.57</u>   | <u>\$ 65,384,282.07</u>        |
|   | \$ 56.32   | \$ 270,512.41                  |
| <u>-</u>  | <u>56.32</u>   | <u>9,386.30</u>                |
|   |  | 279,898.71                     |
|   |  | 60,000,000.00                  |
| <u>-</u>  | <u>-</u>   | <u>60,000,000.00</u>           |
|   | 56.32  | 60,279,898.71                  |
| 718,317.71  | 1,164,150.25   | 5,104,383.36                   |
| <u>\$ 718,317.71</u>  | <u>\$ 1,164,150.25</u>   | <u>\$ 5,104,383.36</u>         |

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Office of the Governor - Trusteed Programs (300)  
 Exhibit K-2 300 - Combining Statement of Revenues, Expenses and Changes in Net Assets –  
 Discretely Presented Component Units  
 For the Fiscal Year Ended August 31, 2011

|  | Texas Economic<br>Development<br>Corporation<br>(9999)*<br>U/F (7001) | Texas Small Business<br>Industrial Development<br>Corporation<br>(9999)*<br>U/F (7002) |
|--|---|--|
| <b>Operating Revenue:</b>  |   |  |
| Sales of Goods and Services  |   |  |
| Other Sales of Goods and Services - Non-Pledged                                      | \$ -  | \$ -   |
| Interest and Investment Income   |   | 1,233,419.01   |
| Other Operating Revenue  | 79,780.14   |  |
| <b>Total Operating Revenue</b>   | <u>79,780.14</u>  | <u>1,233,419.01</u>  |
| <b>Operating Expenses:</b>   |   |  |
| Salaries and Wages   | 7,168.00  |  |
| Payroll Related Costs  | 548.36  |  |
| Professional Fees and Services   | 367,202.98  | 49,667.50  |
| Travel   | 187,863.34  |  |
| Materials and Supplies   | 174,032.91  |  |
| Communication and Utilities  | 535.04  |  |
| Rentals and Leases   | 129,816.12  |  |
| Printing and Reproduction  | 16,221.03   |  |
| Depreciation and Amortization  | 6,064.20  |  |
| Bad Debt Expense   |   |  |
| Other Operating Expenses   | 244,754.98  | 988,710.11   |
| <b>Total Operating Expenses</b>  | <u>1,134,206.96</u>   | <u>1,038,377.61</u>  |
| <b>Operating Income (Loss)</b>   | <u>(1,054,426.82)</u>   | <u>195,041.40</u>  |
| <b>Nonoperating Revenue (Expenses)</b>   |   |  |
| Gifts, Pledges and Donations   | 1,221,705.48  |  |
| Investment Income (Expense)  | 1,907.68  | 2,202.85   |
| Interest Expenses and Fiscal Charges   |   | (142,175.33)   |
| <b>Total Other Nonoperating Revenue (Expenses)</b>                                   | <u>1,223,613.16</u>   | <u>(139,972.48)</u>  |
| <b>Income (Loss) Before Other Revenue, Expenses,<br/>Gains/Losses, and Transfers</b> | <u>169,186.34</u>   | <u>55,068.92</u>   |
| <b>Change in Net Assets</b>  | <u>169,186.34</u>   | <u>55,068.92</u>   |
| <b>Total Net Assets, September 1, 2010</b>   | 1,834,471.15  | 1,163,188.99   |
| Restatements   |   |  |
| <b>Total Net Assets, September 1, 2010, as Restated</b>                              | <u>1,834,471.15</u>   | <u>1,163,188.99</u>  |
| <b>Total Net Assets, August 31, 2011</b>   | <u>\$ 2,003,657.49</u>  | <u>\$ 1,218,257.91</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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| Texas Disaster<br>Relief Fund, a<br>Non-Profit Corp.<br>(9999)*<br>U/F (7003) | Texas<br>Health Services<br>Authority<br>(9999)*<br>U/F (7004) | Totals<br>(Exhibit IX 300) |
|---|--|----------------------------|
| \$ -  | \$ 1,680,712.33  | \$ 1,680,712.33            |
| 8,188.03  |  | 1,233,419.01               |
| <u>8,188.03</u>   | <u>1,680,712.33</u>  | <u>87,968.17</u>           |
|   |  | <u>3,002,099.51</u>        |
|   | 242,293.32   | 249,461.32                 |
|   | 31,982.22  | 32,530.58                  |
|   | 194,044.94   | 610,915.42                 |
|   | 12,326.33  | 200,189.67                 |
|   | 3,040.38   | 177,073.29                 |
|   | 9,832.28   | 10,367.32                  |
|   | 18,650.65  | 148,466.77                 |
|   |  | 16,221.03                  |
|   | 2,325.04   | 8,389.24                   |
| 51,474.21   |  | 51,474.21                  |
| 936.00  | 5,277.70   | 1,239,678.79               |
| <u>52,410.21</u>  | <u>519,772.86</u>  | <u>2,744,767.64</u>        |
| <u>(44,222.18)</u>  | <u>1,160,939.47</u>  | <u>257,331.87</u>          |
| 3,417.00  |  | 1,225,122.48               |
| 306.01  | 42.21  | 4,458.75                   |
| <u>3,723.01</u>   | <u>42.21</u>   | <u>(142,175.33)</u>        |
|   |  | <u>1,087,405.90</u>        |
| <u>(40,499.17)</u>  | <u>1,160,981.68</u>  | <u>1,344,737.77</u>        |
| <u>(40,499.17)</u>  | <u>1,160,981.68</u>  | <u>1,344,737.77</u>        |
| 758,816.88  | 44,696.78  | 3,801,173.80               |
|   | (41,528.21)  | (41,528.21)                |
| <u>758,816.88</u>   | <u>3,168.57</u>  | <u>3,759,645.59</u>        |
| <u>\$ 718,317.71</u>  | <u>\$ 1,164,150.25</u>   | <u>\$ 5,104,383.36</u>     |

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