

THE OFFICE OF THE GOVERNOR

ANNUAL FINANCIAL REPORT

**For The Year Ended August 31, 2012
(UNAUDITED)**

**Rick Perry
Governor of Texas**



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

November 20, 2012

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, 2012, 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 black ink, appearing to read "Jeffrey S. Boyd".

Jeffrey S. Boyd
Chief of Staff

TABLE OF CONTENTS

Letter of Transmittal

General Purpose Financial Statements – Exhibits

	<u>Page</u>
I Combined Balance Sheet / Statement of Net Assets - Governmental Funds	1
II Combined Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities - Governmental Funds	3
III Combined Statement of Net Assets - Proprietary Funds	5
IV Combined Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Funds	6
V Combined Statement of Cash Flows - Proprietary Funds	7
VI Combined Statement of Net Assets – Fiduciary Funds	8
VII N/A	8
VIII Combined Statement of Net Assets – Discretely Presented Component Units	9
IX Combined Statement of Revenues, Expenses and Changes in Net Assets – Discretely Present Component Units	10

Notes to the Financial Statements

1 Summary of Significant Accounting Policies	11
2 Capital Assets	17
3 Deposits, Investments and Repurchase Agreements	19
4 Short-Term Debt	20
5 Long-Term Liabilities	20
6 Bond Indebtedness	22
7 Derivative Instruments	24
8 Leases	24
9 Pension Plans	25
10 Deferred Compensation	25
11 Postemployment Health Care and Life Insurance Benefits	25
12 Interfund Activity and Transactions	26
13 Continuance Subject to Review	26
14 Adjustments to Fund Balances and Net Assets	26
15 Contingencies and Commitments	27
16 Subsequent Events	28
17 Risk Management	28
18 Management Discussion and Analysis (MD&A)	28
19 The Financial Reporting Entity	29
20 Stewardship, Compliance and Accountability	30
21 Not Applicable to the AFR	30
22 Donor Restricted Endowments	30
23 Extraordinary and Special Items	30
24 Disaggregation of Receivable and Payable Balances	30
25 Termination Benefits	30
26 Segment Information	31

Combining Statements – Exhibits and Schedules

A–1 Combining Balance Sheet - All General and Consolidated Funds	33
A–2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All General and Consolidated Funds	37
J –1 Combining Statement of Changes in Assets and Liabilities - Agency Funds	41

TABLE OF CONTENTS

Combining Statements – Exhibits and Schedules (continued)

		<u>Page</u>
1 A	Combining Schedule of Expenditures of Federal Awards	43
1 B	Combining Schedule of State Pass Throughs From/To State Agencies/Universities	48
2 A	Miscellaneous Bond Information	49
2 B	Changes in Bonded Indebtedness	50
2 C	Debt Service Requirements	51
2 D	Analysis of Funds Available for Debt Service	53
2 E	Defeased Bonds Outstanding	53
2 F	Early Extinguishment and Refunding of Debt	54

Supporting Exhibits by Agency

Office of the Governor - Core Operations (Agency 301) – Exhibits

I (301)	Combined Balance Sheet / Statement of Net Assets - Governmental Funds	58
II (301)	Combined Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities	59
A-1 (301)	Combining Balance Sheet - All General and Consolidated Funds	61
A-2 (301)	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All General and Consolidated Funds	62
J-1 (301)	Combining Statement of Change in Assets and Liabilities - Agency Funds	63

Office of the Governor Trusteed Programs (Agency 300) – Exhibits

I (300)	Combined Balance Sheet/Statement of Net Assets - Governmental Funds	65
II (300)	Combined Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities – Governmental Funds	67
III (300)	Combined Statement of Net Assets - Proprietary Funds	69
IV (300)	Combined Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	70
V (300)	Combined Statement of Cash Flows - Proprietary Funds	71
VIII (300)	Combined Statement of Net Assets – Discretely Presented Component Units	73
IX (300)	Combined Statement of Revenues, Expenses and Changes in Net Assets – Discretely Present Component Units	74
A-1 (300)	Combining Balance Sheet - All General and Consolidated Funds	75
A-2 (300)	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All General and Consolidated Funds	79
B-1 (300)	Combining Balance Sheet - Special Revenue Funds	83
B-2 (300)	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	84
C-1 (300)	Combining Balance Sheet - Debt Service Funds	85
C-2 (300)	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds	87
F-1 (300)	Combining Statement of Net Assets - Enterprise Funds	89
F-2 (300)	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	90
F-3 (300)	Combining Statement of Cash Flows - Enterprise Funds	91
J-1 (300)	Combining Statement of Change in Assets and Liabilities - Agency Funds	92
K-1 (300)	Combining Statement of Net Assets – Discretely Presented Component Units	93
K-2 (300)	Statement of Revenues, Expenditures and Changes in Net Assets – Discretely Presented Component Units	95

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)

Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds

For the Fiscal Year Ended August 31, 2012

	Governmental Fund Types			Governmental Funds Total
	General Funds (Exhibit A-1)	Special Revenue Funds (Exhibit B-1 300)	Debt Service Funds (Exhibit C-1 300)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash In Bank (Note 3)	\$ -	\$ 121,156.47	\$ -	\$ 121,156.47
Cash in State Treasury	472,465,668.33	35,414,596.33	535.71	507,880,800.37
Restricted Cash and Cash Equivalents:				
Cash in State Treasury	-	4,725,000.00	-	4,725,000.00
Legislative Appropriations	134,525,401.03	-	-	134,525,401.03
Receivables from:				
Federal	4,772,479.79	-	-	4,772,479.79
Interest and Dividends	1,381,090.87	28,693.37	0.03	1,409,784.27
Accounts Receivable	28,291.26	-	-	28,291.26
Due From Other Funds	55,412.98	-	-	55,412.98
Due From Other Agencies	12,417,488.26	61,535.07	-	12,479,023.33
Consumable Inventories	42,674.76	-	-	42,674.76
Prepaid Items	-	4,525.00	-	4,525.00
Loans and Contracts, net of allowance	1,280,000.00	1,421,669.76	-	2,701,669.76
Total Current Assets	626,968,507.28	41,777,176.00	535.74	668,746,219.02
Non-Current Assets:				
Loans and Contracts	385,104,103.00	4,946,417.78	-	390,050,520.78
Investments (Note 3)	184,823,567.54	-	-	184,823,567.54
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Total Non-Current Assets	569,927,670.54	4,946,417.78	-	574,874,088.32
Total Assets	\$ 1,196,896,177.82	\$ 46,723,593.78	\$ 535.74	\$ 1,243,620,307.34
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 12,943,785.10	\$ 15,375.01	\$ -	\$ 12,959,160.11
Payroll	1,724,994.35	-	-	1,724,994.35
Due To Other Agencies	3,324,180.20	61,535.07	-	3,385,715.27
Deferred Revenue	48,846,982.76	-	-	48,846,982.76
General Obligation Bonds Payable (Note 5)	-	-	-	-
Employees' Compensable Leave (Note 5)	-	-	-	-
Total Current Liabilities	66,839,942.41	76,910.08	-	66,916,852.49
Non-Current Liabilities:				
General Obligation Bonds Payable (Note 5)	-	-	-	-
Employees' Compensable Leave (Note 5)	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	66,839,942.41	76,910.08	-	66,916,852.49
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	42,674.76	4,525.00	-	47,199.76
Restricted	49,971,375.34	46,521,002.23	535.74	96,492,913.31
Committed	949,314,074.12	121,156.47	-	949,435,230.59
Assigned	-	-	-	-
Unassigned	130,728,111.19	-	-	130,728,111.19
Total Fund Balances	1,130,056,235.41	46,646,683.70	535.74	1,176,703,454.85
Total Liabilities and Fund Balances	\$ 1,196,896,177.82	\$ 46,723,593.78	\$ 535.74	\$ 1,243,620,307.34
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt				
Restricted For:				
Other				
Unrestricted				
Total Net Assets				

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$ -	\$ -	\$ 121,156.47
-	-	507,880,800.37
-	-	4,725,000.00
-	-	134,525,401.03
-	-	4,772,479.79
-	-	1,409,784.27
-	-	28,291.26
-	-	55,412.98
-	-	12,479,023.33
-	-	42,674.76
-	-	4,525.00
-	-	2,701,669.76
-	-	<u>668,746,219.02</u>
-	-	390,050,520.78
-	-	184,823,567.54
613,203.47	-	613,203.47
(478,007.31)	-	(478,007.31)
<u>135,196.16</u>	<u>-</u>	<u>575,009,284.48</u>
\$ <u>135,196.16</u>	\$ <u>-</u>	\$ <u>1,243,755,503.50</u>
\$ -	\$ -	\$ 12,959,160.11
-	-	1,724,994.35
-	-	3,385,715.27
-	-	48,846,982.76
-	1,280,000.00	1,280,000.00
-	<u>1,199,286.70</u>	<u>1,199,286.70</u>
-	<u>2,479,286.70</u>	<u>69,396,139.19</u>
-	92,400,000.00	92,400,000.00
-	863,917.51	863,917.51
-	<u>93,263,917.51</u>	<u>93,263,917.51</u>
-	95,743,204.21	162,660,056.70
		47,199.76
		96,492,913.31
		949,435,230.59
		-
		<u>130,728,111.19</u>
		<u>1,176,703,454.85</u>
135,196.16	-	135,196.16
-	(93,680,000.00)	(93,680,000.00)
-	(2,063,204.21)	(2,063,204.21)
<u>\$ 135,196.16</u>	<u>\$ (95,743,204.21)</u>	<u>\$ 1,081,095,446.80</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit II - Combined Statement of Revenues Expenditures and Changes in
Fund Balances/Statement of Activities - Governmental Funds
For the Fiscal Year Ended August 31, 2012

	Governmental Fund Types		
	General Funds (Exhibit A-2)	Special Revenue Funds (Exhibit B-2 300)	Debt Service Fund (Exhibit C-2 300)
REVENUE			
Legislative Appropriations:			
Original Appropriations	\$ 71,064,822.00	\$ -	\$ -
Additional Appropriations	2,874,313.53	-	-
Federal Revenue	82,756,083.72	-	-
Federal Grant Pass-Through Revenue	393,849.12	-	-
License, Fees & Permits	26,471,165.67	-	-
Interest and Other Investment Income	4,644,330.23	543,612.76	1,320.19
Net Increase (Decrease) in Fair Value	6,967,620.16	-	-
Sales of Goods and Services	243,415.62	-	-
Other	164,830.94	385,509.29	-
Total Revenue	195,580,430.99	929,122.05	1,320.19
EXPENDITURES			
Salaries and Wages	16,342,276.29	-	-
Payroll Related Costs	3,705,171.83	-	-
Professional Fees and Services	7,081,141.22	25,895.16	-
Travel	457,933.51	-	-
Materials and Supplies	539,985.00	15,375.00	-
Communication and Utilities	404,686.74	-	-
Repairs and Maintenance	123,381.79	-	-
Rentals and Leases	402,870.21	-	-
Printing and Reproduction	19,543.30	463.34	-
Federal Grant Pass-Through Expenditures	12,308,011.66	-	-
State Grant Pass-Through Expenditures	25,752,697.58	-	-
Intergovernmental Payments	48,102,222.43	-	-
Public Assistance Payments	42,407,431.47	976,142.32	-
Other Expenditures	58,482,116.34	509,917.34	-
Debt Service:			
Principal	-	-	465,000.00
Interest	-	-	2,563,938.24
Capital Outlay	66,996.95	-	-
Depreciation Expense	-	-	-
Total Expenditures/Expenses	216,196,466.32	1,527,793.16	3,028,938.24
Excess (Deficiency) of Revenue over Expenditures	(20,616,035.33)	(598,671.11)	(3,027,618.05)
OTHER FINANCING SOURCES (USES)			
Transfer In	35,156,579.20	274,505.32	3,028,938.38
Transfer Out	(4,606,906.06)	(561,681.06)	(1,670.76)
Legislative Transfer In (Note 12)	11,324,700.21	-	-
Legislative Transfer Out (Note 12)	(11,424,700.21)	-	-
Lapses	-	-	-
Total Other Financing Sources (Uses)	30,449,673.14	(287,175.74)	3,027,267.62
Net Change in Fund Balances/Net Assets	9,833,637.81	(885,846.85)	(350.43)
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2011	1,124,732,971.22	47,751,427.17	886.17
Restatements (Note 14)	(4,510,373.62)	(218,896.62)	-
Fund Balances, September 1, 2011, as Restated	1,120,222,597.60	47,532,530.55	886.17
Appropriations Lapsed	-	-	-
Fund Balances, August 31, 2012	\$ 1,130,056,235.41	\$ 46,646,683.70	\$ 535.74
Government-Wide Statement of Net Assets			
Net Assets/Net Change in Net Assets			
Net Assets, September 1, 2011			
Restatements			
Net Assets, September 1, 2011, as Restated			
Net Assets, August 31, 2012			

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

UNAUDITED

Governmental Funds Total	Capital Assets Adjustments	Long -Term Liabilities Adjustments	Statement of Activities
\$ 71,064,822.00	\$ -	\$ -	\$ 71,064,822.00
2,874,313.53	-	-	2,874,313.53
82,756,083.72	-	-	82,756,083.72
393,849.12	-	-	393,849.12
26,471,165.67	-	-	26,471,165.67
5,189,263.18	-	-	5,189,263.18
6,967,620.16	-	-	6,967,620.16
243,415.62	-	-	243,415.62
550,340.23	-	-	550,340.23
<u>196,510,873.23</u>	<u>-</u>	<u>-</u>	<u>196,510,873.23</u>
16,342,276.29	-	(254,636.56)	16,087,639.73
3,705,171.83	-	-	3,705,171.83
7,107,036.38	-	-	7,107,036.38
457,933.51	-	-	457,933.51
555,360.00	-	-	555,360.00
404,686.74	-	-	404,686.74
123,381.79	-	-	123,381.79
402,870.21	-	-	402,870.21
20,006.64	-	-	20,006.64
12,308,011.66	-	-	12,308,011.66
25,752,697.58	-	-	25,752,697.58
48,102,222.43	-	-	48,102,222.43
43,383,573.79	-	-	43,383,573.79
58,992,033.68	-	-	58,992,033.68
465,000.00	-	(465,000.00)	-
2,563,938.24	-	-	2,563,938.24
66,996.95	(66,996.95)	-	-
-	34,516.70	-	34,516.70
<u>220,753,197.72</u>	<u>(32,480.25)</u>	<u>(719,636.56)</u>	<u>220,001,080.91</u>
<u>(24,242,324.49)</u>	<u>32,480.25</u>	<u>719,636.56</u>	<u>(23,490,207.68)</u>
38,460,022.90	-	-	38,460,022.90
(5,170,257.88)	-	-	(5,170,257.88)
11,324,700.21	-	-	11,324,700.21
(11,424,700.21)	-	-	(11,424,700.21)
-	-	-	-
<u>33,189,765.02</u>	<u>-</u>	<u>-</u>	<u>33,189,765.02</u>
8,947,440.53	-	-	9,699,557.34
1,172,485,284.56	-	-	1,172,485,284.56
(4,729,270.24)	-	-	(4,729,270.24)
<u>1,167,756,014.32</u>	<u>-</u>	<u>-</u>	<u>1,167,756,014.32</u>
-	-	-	-
<u>\$ 1,176,703,454.85</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177,455,571.66</u>
\$ 1,176,703,454.85	\$ 32,480.25	\$ 719,636.56	\$ 1,177,455,571.66
-	102,715.91	(96,462,840.77)	(96,360,124.86)
-	102,715.91	(96,462,840.77)	(96,360,124.86)
<u>\$ 1,176,703,454.85</u>	<u>\$ 135,196.16</u>	<u>\$ (95,743,204.21)</u>	<u>\$ 1,081,095,446.80</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit III - Combined Statement of Net Assets - Proprietary Funds
For the Fiscal Year Ended August 31, 2012

	Total Enterprise Funds
	(Exhibit III 300)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash In Bank (Note 3)	\$ 209,038.45
Cash in State Treasury	10,702,729.15
Restricted:	
Cash in State Treasury	500,000.00
Receivables from:	
Interest and Dividends	79,362.76
Other	52,087.01
Due From Other Agencies	61,535.07
Loans and Contracts	2,115,227.60
Total Current Assets	13,719,980.04
Non-Current Assets:	
Loans and Contracts	21,645,318.16
Total Non-Current Assets	21,645,318.16
Total Assets	\$ 35,365,298.20
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 58,238.77
Payroll	43,183.95
Due To Other Agencies	61,535.07
Employees' Compensable Leave (Note 5)	32,480.46
Total Current Liabilities	195,438.25
Non-Current Liabilities:	
Notes and Loans Payable (Note 5)	25,000,000.00
Employees' Compensable Leave (Note 5)	12,096.07
Total Non-Current Liabilities	25,012,096.07
Total Liabilities	25,207,534.32
Net Assets	
Restricted For:	
Other	500,000.00
Unrestricted	9,657,763.88
Total Net Assets	\$ 10,157,763.88

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
 Exhibit IV - Combined Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
 For the Fiscal Year Ended August 31, 2012

	Total Enterprise Funds (Exhibit IV 300)
Operating Revenue	
Interest and Investment Income	\$ 725,605.90
Other Operating Revenue	<u>324,336.72</u>
Total Operating Revenue	<u>1,049,942.62</u>
Operating Expenses:	
Salaries and Wages	382,560.19
Payroll Related Costs	98,620.97
Professional Fees and Services	56,102.30
Travel	16,923.87
Materials and Supplies	2,451.32
Communication and Utilities	36,029.77
Repairs and Maintenance	57.35
Rentals and Leases	1,895.45
Printing and Reproduction	178.22
Interest	43,572.23
Other Operating Expenses	<u>276,898.39</u>
Total Operating Expenses	<u>915,290.06</u>
Operating Income (Loss)	<u>134,652.56</u>
Nonoperating Revenue (Expenses)	
Gifts, Pledges and Donations	390.00
Investment Income (Expense)	<u>35,507.10</u>
Total Other Nonoperating Revenue (Expenses)	<u>35,897.10</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>170,549.66</u>
Other Revenue, Expenses, Gains/Losses, and Transfers	
Transfer In	1,238,008.24
Transfer Out	<u>(213,247.18)</u>
Total Other Revenue, Expenses, Gains/Losses, and Transfers	<u>1,024,761.06</u>
Change in Net Assets	<u>1,195,310.72</u>
Total Net Assets, September 1, 2011	8,939,197.74
Restatements (Note 14)	<u>23,255.42</u>
Total Net Assets, September 1, 2011, as Restated	<u>8,962,453.16</u>
Total Net Assets, August 31, 2012	<u>\$ 10,157,763.88</u>

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit V - Combined Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended August 31, 2012

	<u>Total Enterprise Funds</u> (Exhibit V 300)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Other Revenue	\$ 324,336.72
Payments to Employees	(476,950.94)
Payments for Other Expenses	(432,982.52)
Net Cash Provided by Operating Activities	<u>(585,596.74)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	5,000,000.00
Proceeds of Transfers from Other Funds	1,238,008.24
Payments of Interest	(41,922.23)
Payments of Other Costs of Debt Issuance	(4,240.00)
Payments for Transfers to Other Funds	(213,247.18)
Net Cash Provided by Noncapital Financing Activities	<u>5,978,598.83</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	741,028.85
Proceeds from Principal Payments on Loans	3,335,971.94
Payments for Non-Program Loans	(7,396,475.00)
Net Cash Provided by Investing Activities	<u>(3,319,474.21)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,073,527.88
Cash and Cash Equivalents, September 1, 2011	9,336,848.50
Restatement to Beginning Cash & Cash Equivalents	1,391.22
Cash and Cash Equivalents, September 1, 2011 as Restated	<u>9,338,239.72</u>
Cash and Cash Equivalents, August 31, 2012	<u>\$ 11,411,767.60</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 134,652.56
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories Classification Differences	(667,729.94)
Changes in Assets and Liabilities:	
Increase (Decrease) in Payables	(45,519.44)
Increase (Decrease) in Compensated Absence Liabilities	(6,999.92)
Total Adjustments	<u>(720,249.30)</u>
Net Cash Provided by Operating Activities	<u>\$ (585,596.74)</u>

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds
For the Fiscal Year Ended August 31, 2012

	Agency Funds (Exhibit J-1)
ASSETS	
Cash in State Treasury	\$ 340.52
Total Assets	<u>\$ 340.52</u>
LIABILITIES	
Funds Held for Others	\$ 340.52
Total Liabilities	<u>\$ 340.52</u>
NET ASSETS	
Held in Trust for Others	\$ -
Total Net Assets	<u>\$ -</u>

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit VIII - Combined Statement of Net Assets - Discretely Presented Component Units
For the Fiscal Year Ended August 31, 2012

	Totals (Exhibit VIII-300)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash In Bank (Note 3)	\$ 1,970,724.67
Cash Equivalents (Note 3)	10,223,110.18
Restricted Cash and Cash Equivalents	
Cash Equivalents (Note 3)	2,000,000.00
Short Term Investments (Note 3)	20,000.00
Receivables from:	
Other Governmental	7,339.00
Interest and Dividends	22,539.54
Accounts Receivable	9,750.00
Prepaid Items	213,227.93
Loans and Contracts	775,790.04
Other Current Assets	8,394.00
Total Current Assets	15,250,875.36
Non-Current Assets:	
Loans and Contracts	9,876,479.29
Capital Assets (Note 2):	
Depreciable and Amortizable, Net	23,685.13
Total Non-Current Assets	9,900,164.42
Total Assets	\$ 25,151,039.78
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 164,113.39
Other	2,890.12
Deferred Revenues	1,109,779.00
Total Current Liabilities	1,276,782.51
Non-Current Liabilities:	
Revenue Bonds Payable (Note 5)	20,000,000.00
Total Non-Current Liabilities	20,000,000.00
Total Liabilities	21,276,782.51
Net Assets	
Unrestricted	3,874,257.27
Total Net Assets	\$ 3,874,257.27

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and 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, 2012

	Totals (Exhibit IX 300)
Operating Revenue:	
Sales of Goods and Services	\$ 582,775.00
Interest and Investment Income	460,813.27
Other Grants and Contributions	1,299,425.48
Other Operating Revenue	179,005.66
Total Operating Revenue	2,522,019.41
Operating Expenses:	
Salaries and Wages	272,810.00
Payroll Related Costs	38,322.00
Professional Fees and Services	671,706.10
Travel	277,503.49
Materials and Supplies	255,246.39
Communication and Utilities	25,769.58
Rentals and Leases	92,714.82
Printing and Reproduction	22,914.10
Depreciation and Amortization	9,089.20
Interest	66,500.61
Grants to Community Service Programs	64,923.43
Other Operating Expenses	969,001.94
Total Operating Expenses	2,766,501.66
Operating Income (Loss)	(244,482.25)
Nonoperating Revenue (Expenses)	
Investment Income (Expense)	4,516.20
Other Nonoperating Revenues (Expenses)	42.00
Total Other Nonoperating Revenue (Expenses)	4,558.20
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	(239,924.05)
Change in Net Assets	(239,924.05)
Total Net Assets, September 1, 2011	5,104,383.36
Restatements (Note 14)	(990,202.04)
Total Net Assets, September 1, 2011, as Restated	4,114,181.32
Total Net Assets, August 31, 2012	\$ 3,874,257.27

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 including 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 is 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 two blended component units. Information on component units can be found in Note 19.

Discretely Presented Component Units

The Office has seven discretely presented component units. Information on component units can be found 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 used to account for the State's general activities. General revenue funds are used to account for all financial resources of the State except those required to be accounted for in another fund.

General Revenue Fund (Fund 0001) 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.

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.

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

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

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 sources 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.

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 sources 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 to provide funding for administration.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

Debt Service Funds

Debt Service funds are used to account for the accumulation of financial resources that are restricted, committed or assigned to expenditures for general long-term debt 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 (Fund 9998) is used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

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

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 and investment earnings under Government Code, Chapter 481, Subchapter BB, fees under Government Code, Chapter 489, and 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.

Capital Access Loan Loss Reserve Account (Fund 9999) is used to record assets, liabilities and transactions in accounts established in participating financial institutions to serve as a source of additional revenue to reimburse the financial institution for losses on loans enrolled in the capital access program. The fund consists of appropriations and contributions made by the lenders and borrowers participating in the capital access program.

Fiduciary Fund Types

Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Component Units

The financial data of the individual component units are available from the component units' separately issued financial statements. Additional information about component units is disclosed in Note 19.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

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. The following activities are recognized in these fund types: capital assets, accumulated depreciation, unpaid employee compensable leave, unmatured debt service on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenue and expenses.

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 funds' principal ongoing operations. Operating expenses for proprietary 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.

Restricted Assets

Restricted assets include 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.

Inventories and Prepaid Items

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

Loans and Contracts Receivable

Loans receivable reflects the outstanding amount of loans and convertible loans to outside entities. However, promissory notes received by the agency pursuant to an Investment Unit issued by certain companies for commercialization awards provided from the Emerging Technology Fund under Government Code 490 Subchapter D are not recorded as assets unless the note is called. Notes received by the agency pursuant to an Investment Unit expire after ten years. The Office expects that cash payment for these notes will not be received unless the note is called. These notes are demanded upon an event of default pursuant to contract terms. It is the opinion of the Office that recording as assets the value of notes received by the agency pursuant to an Investment Unit which have not been called would severely

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

overstate fund assets. When a note received by the agency pursuant to an Investment Unit is called, a loan receivable is recorded. The allowance for doubtful loans and contracts includes the outstanding principal amount of loans which have not been determined to be uncollectible but have been turned over to the Office of the Attorney General for collection. The allowance for doubtful loans and contracts was \$6,460,000 as of fiscal year end.

Per GASB 33 requirements, loans receivable also reflects grant payments given in advance of requirements being met. The advances will be reclassified as expenditures when the conditions of the grant are met.

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 as the estimated market value changes based on the price of comparable securities of the entity involved in a qualifying financing transaction.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if not purchased, at fair value as of the date of acquisition. Purchases of assets with 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 earned at the end of the fiscal year.

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. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Bonds Payable – General Obligation Bonds

The unmatured principal of general obligation bonds is accounted for in the long-term liabilities adjustment column for governmental activities and in proprietary funds for business-type activities. These payables are reported as current long-term liabilities for amounts due within one year and noncurrent long-term liabilities for amounts due thereafter in the statement of net assets. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains/(losses) on bond refunding activities.

For governmental activities, bond proceeds are accounted for when received as an "other financing source" in the governmental fund receiving the proceeds. Payment of principal and interest is an expenditure recorded in the debt service fund. All bond transactions and balances for business-type activities are reported in proprietary funds.

Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in proprietary funds for business-type activities and in the long-term liabilities adjustment column for governmental activities. These payables are reported as current long-term liabilities for amounts due within one year and noncurrent long-term liabilities for amounts due thereafter in the statement of net assets. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains/(losses) on bond refunding activities.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

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.

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.
- 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 not classified as nonspendable have been classified as restricted:
 - Federal fund balances which are accounted for in the Governor's Office Federal Projects Fund 0224, the American Recovery & Reinvest Act fund within Fund 0001 and the Criminal Justice Planning Fund 0421 have been classified as restricted.
 - 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.
 - In addition, fund balances of the debt service funds of Texas Military Value Revolving Loan Funds 7022, 7026 and 7273 and a portion of the fund balance of the enterprise fund of Economic Development Bank Fund 5106 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.
- 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 that are imposed by management but can be removed or modified.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

Interfund Activities and Balances

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 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 receivables and payables 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, 80th Legislature, R.S.

A summary of changes in Capital Assets, for the year ended August 31, 2012, is presented below for the Office of the Governor – Core Operations (301):

	PRIMARY GOVERNMENT							
	Balance 09/01/11	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/12
			Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
GOVERNMENTAL ACTIVITIES								
Depreciable Assets								
Furniture and Equipment	\$ 433,976.93	\$ -	\$ -	\$ -	\$ -	\$ 66,996.95	\$ -	\$ 500,973.88
Total Depreciable Assets at Historical Costs	433,976.93	-	-	-	-	66,996.95	-	500,973.88
Less Accumulated Depreciation for:								
Furniture and Equipment	(333,753.86)	-	-	-	-	(33,551.90)	-	(367,305.76)
Total Accumulated Depreciation	(333,753.86)	-	-	-	-	(33,551.90)	-	(367,305.76)
Depreciable Assets, Net	100,223.07	-	-	-	-	33,445.05	-	133,668.12
Governmental Activities Capital Assets, Net	\$ 100,223.07	\$ -	\$ -	\$ -	\$ -	\$ 33,445.05	\$ -	\$ 133,668.12

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Capital Assets (continued)

A summary of changes in Capital Assets, for the year ended August 31, 2012, is presented below for the Office of the Governor – Trusteed Programs (300):

	PRIMARY GOVERNMENT							
	Balance 09/01/11	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/12
			Completed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans			
GOVERNMENTAL ACTIVITIES								
Depreciable Assets								
Furniture and Equipment	\$ 112,229.59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,229.59
Total Depreciable Assets at Historical Costs	112,229.59	-	-	-	-	-	-	112,229.59
Less Accumulated Depreciation for								
Furniture and Equipment	(109,736.75)	-	-	-	-	(964.80)	-	(110,701.55)
Total Accumulated Depreciation	(109,736.75)	-	-	-	-	(964.80)	-	(110,701.55)
Depreciable Assets, Net	2,492.84	-	-	-	-	(964.80)	-	1,528.04
Governmental Activities Capital Assets, Net	\$ 2,492.84	\$ -	\$ -	\$ -	\$ -	\$ (964.80)	\$ -	\$ 1,528.04

A summary of changes in Capital Assets for Discretely Presented Component Units, for the year ended August 31, 2012, is presented below for the Office of the Governor – Trusteed Programs (300):

	DISCRETELY PRESENTED COMPONENT UNITS							
	Balance 09/01/11	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/12
			Completed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans			
DISCRETELY PRESENTED COMPONENT UNITS								
Depreciable Assets								
Furniture and Equipment	\$ 41,623.20	\$ (20,405.62)	\$ -	\$ -	\$ -	\$ 19,288.00	\$ -	\$ 40,505.58
Total Depreciable Assets at Historical Costs	41,623.20	(20,405.62)	-	-	-	19,288.00	-	40,505.58
Less Accumulated Depreciation for								
Furniture and Equipment	(10,006.13)	2,274.88	-	-	-	(9,089.20)	-	(16,820.45)
Total Accumulated Depreciation	(10,006.13)	2,274.88	-	-	-	(9,089.20)	-	(16,820.45)
Depreciable Assets, Net	31,617.07	(18,130.74)	-	-	-	10,198.80	-	23,685.13
Discretely Presented Component Units Capital Assets, Net	\$ 31,617.07	\$(18,130.74)	\$ -	\$ -	\$ -	\$ 10,198.80	\$ -	\$ 23,685.13

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 3: Deposits, Investments, and Repurchase Agreements

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

Deposits of Cash in Bank

As of August 31, 2012, the carrying amount of deposits was \$2,300,919.59 as presented below:

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	\$ 330,194.92
Cash in Bank per AFR (Funds 9999/7010 and 9999/0995)	\$ 330,194.92
Governmental Funds Cash in Bank (Fund 9999/7010)	\$ 121,156.47
Proprietary Funds Cash in Bank (Fund 9999/0995)	209,038.45
Cash in Bank per AFR	\$ 330,194.92

Discretely Presented Component Units	
CASH IN BANK - CARRYING VALUE	\$ 1,970,724.67
Cash in Bank per AFR (Funds 9995/7001, 3146/7003, 3147/7004, 4157/7005, 4158/7006 and 4159/7007)	\$ 1,970,724.67

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. As of August 31, 2012, the total bank balance was as follows:

Governmental and Business-Type Activities:	\$ 330,194.92	Discretely Presented Component Units:	\$1, 970,724.67
---	----------------------	--	------------------------

Investments

As of August 31, 2012, the fair value of investments was:

Governmental and Business-Type Activities	Fair Value
Emerging Technology Fund (5124) Investments	\$ 184,823,567.54
Total Investments	\$ 184,823,567.54
Reconciliation of Investments per Exhibits – Governmental and Business-Type Activities	
Governmental Funds Noncurrent Assets Investments	\$ 184,823,567.54
Investments per Exhibits	\$ 184,823,567.54

Discretely Presented Component Units	Fair Value
Repurchase Agreements -Texas Treasury Safekeeping Trust Co (Fund 9995/7001)	\$ 1,960,853.38
U S Government Obligations Money Market Fund (Fund 9994/7002)	10,262,256.80
Non-negotiable CD (Fund 4158/7006)	20,000.00
Total Investments	\$ 12,243,110.18
Reconciliation of Total Investments per Exhibits – Discrete Component Units	
Discretely Presented Component Units Current Assets Cash Equivalent Investments	10,223,110.18
Discretely Presented Component Units Current Assets Restricted Cash Equivalent Investments	2,000,000.00
Discretely Presented Component Units Current Assets Short-Term Investments	20,000.00
Investments per Exhibits	\$ 12,243,110.18

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.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 4: Short-Term Debt

The Office has a standby letter of credit for the Product Development Program General Obligation Variable Rate Demand Bonds, Series 2005A and the Small Business Incubator General Obligation Variable Rate Demand Bonds, Series 2005B as described in Note 6. Texas Small Business Industrial Development Corporation, a component unit of the Office, has a standby letter of credit for its floating rate demand revenue bonds as described in Note 6. No activity or draws have been made during this fiscal year on these letters of credit.

The Office has a direct pay letter of credit for \$25,000,000 with JP Morgan Chase Bank to facilitate the sale of commercial paper that provides financing for the Texas Leverage Fund Program. Each time the commercial paper matures and is reissued the letter of credit is drawn down and repaid on the same day while the paying agent is processing the payments to holders of the maturing commercial paper and the receipts related to the sale of the newly issued commercial paper. The Office was paid in full as of August 31, 2012. The following table details the draws and repayments during the fiscal year.

Proprietary Activities	Beginning Balance 9/1/2011	Draw and Repayment Date	Increases	Decreases	Ending Balance 8/31/2012
Letter of Credit - Fund 5106	\$ -	9/12/2011	\$ 20,000,000 00	\$ 20,000,000 00	\$ -
	-	11/9/2011	20,000,000 00	20,000,000 00	-
	-	12/8/2011	20,000,000 00	20,000,000 00	-
	-	1/5/2012	20,000,000 00	20,000,000 00	-
	-	2/2/2012	20,000,000 00	20,000,000 00	-
	-	3/1/2012	20,000,000 00	20,000,000 00	-
	-	4/26/2012	20,000,000 00	20,000,000 00	-
	-	5/24/2012	20,000,000 00	20,000,000 00	-
	-	6/21/2012	20,000,000 00	20,000,000 00	-
	-	7/19/2012	20,000,000 00	20,000,000 00	-
	-	8/16/2012	25,000,000 00	25,000,000 00	-

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities:

Governmental Activities	Balance 9/1/2011	Additions	Reductions	Balance 8/31/2012	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable	\$ 94,145,000 00	\$ -	\$ (465,000 00)	\$ 93,680,000 00	\$ 1,280,000 00	\$ 92,400,000 00
Claims and Judgments	-	-	-	-	-	-
Compensable Leave (301)	1,461,130 85	1,273,728 71	(1,473,216 71)	1,261,642 85	751,366 35	510,276 50
Compensable Leave (300)	856,709 92	757,363 83	(812,512 39)	801,561 36	447,920 35	353,641 01
Total Governmental Activities	\$ 96,462,840.77	\$ 2,028,092.54	\$ (2,750,729.10)	\$ 95,743,204.21	\$ 2,479,286.70	\$ 93,263,917.51

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Long-Term Liabilities (continued)

Business-Type Activities	Balance 9/1/2011	Additions	Reductions	Balance 8/31/2012	Amounts Due Within One Year	Amounts Due Thereafter
Notes and Loans Payable	\$ 20,000,000.00	\$ 5,000,000.00	\$ -	\$ 25,000,000.00	\$ -	\$ 25,000,000.00
Compensable Leave (300)	51,576.45	60,218.50	(67,218.42)	44,576.53	32,480.46	12,096.07
Total Business-Type Activities	\$ 20,051,576.45	\$ 5,060,218.50	\$ (67,218.42)	\$ 25,044,576.53	\$ 32,480.46	\$ 25,012,096.07

Component Unit Activities	Balance 9/1/2011	Additions	Reductions	Balance 8/31/2012	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	\$ 60,000,000.00	\$ -	\$ 40,000,000.00	\$ 20,000,000.00	\$ -	\$ 20,000,000.00
Total Component Unit Activities	\$ 60,000,000.00	\$ -	\$ 40,000,000.00	\$ 20,000,000.00	\$ -	\$ 20,000,000.00

Notes and Loans Payable

Notes payable consist of commercial paper which is paid and re-issued every 30 to 90 days. The commercial paper program 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 and that same amount of commercial paper has been issued.

This commercial paper is used to finance the Texas Leverage Fund program's lending activities which consist of 15-year loans. Therefore, the commercial paper is considered long-term debt and reported as a noncurrent liability on the financial statements and in the table showing changes in long-term liabilities for business activities above. While the full length of the Texas Leverage Fund program is not reasonably estimable, since the loans extended by the Texas Leverage Fund program have a 15-year maturity, the commercial paper is shown in the table below as maturing in 2027. The interest rate of the commercial paper is variable and determined by the market rate at the time the commercial paper trade is made. The rate of .20%, effective on August 31, 2012, was used to calculate the estimated interest amounts shown in the table below.

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						
Fiscal Year	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ -	\$ -	\$ 50,000.00	\$ -	\$ -
2014				50,000.00		
2015				50,000.00		
2016				50,000.00		
2017				50,000.00		
2018 – 2022				250,000.00		
2023 – 2027			25,000,000.00	250,000.00		
Total Requirements	\$ -	\$ -	\$ 25,000,000.00	\$ 750,000.00	\$ -	\$ -

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Long-Term Liabilities (continued)

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 business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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
- Schedule 2F – Early Extinguishment and Refunding

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 standby letter of credit until remarketed.
- Demand bonds for the Product Development Program and the Small Business Incubator Program are backed by an irrevocable standby letter of credit issued by National Australia Bank for a limit of \$45,419,179 which expires on June 1, 2015. The Product Development Program incurs an estimated annual cost of \$24,000 for this letter of credit. As of August 31, 2012, no principal drawings have been made on the letter of credit. The Office does not have a take-out agreement as part of this letter of credit or as a separate agreement.

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 standby letter of credit until remarketed.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Bond Indebtedness (continued)

- Demand bonds for the Product Development Program and the Small Business Incubator Program are backed by an irrevocable standby letter of credit issued by National Australia Bank for a limit of \$45,419,179 which expires on June 1, 2015. The Small Business Incubator Program incurs an estimated annual cost of \$19,000 for this letter of credit. As of August 31, 2012, no principal drawings have been made on the letter of credit. The Office does not have a take-out agreement as part of this letter of credit or as a separate agreement.

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.
- \$250,000,000 authorized – \$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. Bonds totaling \$13,500,000 and \$26,500,000 were redeemed on March 7, 2012 and May 2, 2012, respectively, leaving an outstanding principal amount of \$20,000,000.
- Source of revenue for debt service – loan repayments and investment earnings on bond proceeds.
- 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.
- Bonds are secured by an irrevocable letter of credit issued by Comerica for a limit of \$20,476,712 which expires on February 8, 2013. Texas Small Business Industrial Development Corporation incurs an estimated annual cost of \$252,453 for this letter of credit. As of August 31, 2012, no principal drawings have been made on the letter of credit. The Office does not have a take-out agreement as part of this letter of credit or as a separate agreement.
- Bonds are issued by Texas Small Business Industrial Corporation; neither the State of Texas nor the Office is responsible for repayment of these bonds.

Early Extinguishment

Texas Small Business Industrial Development Corporation, a component unit of the Office, redeemed \$13,500,000 on March 7, 2012 and \$26,500,000 on May 2, 2012 of its floating rate demand revenue bonds at a redemption price of 100% as shown in Schedule 2F. The source of funds used for the extinguishments was loan repayments from borrowers and a reduction in the debt service reserve account.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Bond Indebtedness (continued)

Refunding

No advance or current refundings occurred during fiscal year 2012.

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	\$20,490,500.00
Term of Commitment Year Ending 08/31/12	N/A	N/A	2026
Percentage of Revenue Pledged	N/A	N/A	100%
Current Year Pledged Revenue	N/A	N/A	463,624.10
Current Year Principal and Interest Paid	N/A	N/A	40,066,500.61
Pledged revenue sources:			
Governmental activities – N/A			
Business-type activities – N/A			
Component Units – Loan repayments and investment earnings on bond proceeds			

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

The Office leases office space and equipment under operating leases. Included in the expenditures reported in the financial statements are the following amounts which were due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$ 279,999.99

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Leases (continued)

Office space leases either have a term of one year or are cancelable but the equipment leases are non-cancelable. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Non-cancelable Operating Lease Obligations			
	Agency 301	Agency 300	Total
Year Ended Aug 31, 2013	\$ 37,848.12	\$ 12,806.52	\$ 50,654.64
Year Ended Aug 31, 2014	37,848.12	12,806.52	50,654.64
Year Ended Aug 31, 2015	29,475.96	11,504.18	40,980.13
Year Ended Aug 31, 2016	1,558.61	475.99	2,034.60
Year Ended Aug 31, 2017	-	-	-
Total Minimum Future Lease Rental Payments	\$ 106,730.81	\$ 37,593.20	\$ 144,324.01

The discretely presented component unit Texas Health Services Authority leases office space and equipment under operating leases. Included in the expenditures reported in the financial statements is \$15,717.00 which was due under operating lease obligations during its fiscal year ended September 30, 2011. Future minimum lease rental payments under these leases are as follows:

Non-cancelable Operating Lease Obligations	
Year Ended Sept 30, 2012	\$ 26,967.00
Year Ended Sept 30, 2013	27,738.00
Year Ended Sept 30, 2014	9,546.00
Year Ended Sept 30, 2015	-
Year Ended Sept 30, 2016	-
Total Minimum Future Lease Rental Payments	\$ 64,251.00

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)

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 12: Interfund Activity and Transactions

The Office experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. The Office had no Interfund receivables or payables as of August 31, 2012.

NOTE 13: Continuance Subject To Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances/ Net Assets

During fiscal year 2012, adjustments were made which required the restatement of the amounts in fund balances and fund equity as shown and discussed below:

	General Funds							General Funds Total
	Agency 301 (Fund 0001)	Agency 300 (Fund 0001)	Agency 300 (Fund 0099)	Agency 300 (Fund 0224)	Agency 300 (Fund 0421)	Agency 300 (Fund 5107)	Agency 300 (Fund 5114)	
Fund Balance / Net Assets as of Sept. 1, 2011	\$10,106,865.98	\$99,847,975.35	\$ -	\$8,375,758.97	\$45,823,794.96	\$573,215,228.06	\$49,202,109.98	\$786,571,733.30
Adjustment to restate balances related to prior year's accounts payable	(143,391.88)							(143,391.88)
Adjustment to restate balances related to prior year's interest receivable		1,944.02					1,243,031.32	1,244,975.34
Adjustment to restate balances related to prior year's federal grant deferred revenues		(1,621,682.68)		(8,375,758.97)				(9,997,441.65)
Adjustment to restate balances related to prior year's receivable			8,909,159.48					8,909,159.48
Adjustment to restate balances related to prior year's federal receivable					599,498.09			599,498.09
Restatement to recognize the payment during prior years of non- compliance damages to the enterprise fund as loan repayments						(5,123,173.00)		(5,123,173.00)
Fund Balance / Net Assets as of Sept. 1, 2011, as Restated	\$ 9,963,474.10	\$98,228,236.69	\$8,909,159.48	\$ -	\$46,423,293.05	\$568,092,055.06	\$50,445,141.30	\$782,061,359.68

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Adjustments to Fund Balances/ Net Assets (continued)

	General Funds	Special Revenue Funds	Proprietary Funds		Discretely Presented Component Units	Total
	General Funds Total	Agency 300 (Fund 9999)	Agency 300 (Fund 9999)	Agency 300 (Fund 5106)	Agency 300 (Detail by Fund in Exhibit K-2 300)	
Fund Balance / Net Assets as of Sept. 1, 2011	\$ 786,571,733.30	\$ 947,675.48	\$ 207,418.17	\$ 8,731,779.57	\$ 5,104,383.36	\$ 801,562,989.88
Total Adjustment to General Funds	(4,510,373.62)					(4,510,373.62)
Restatement to change the presentation of three component units from blended to discrete and to present the financial data as of the fiscal year end of each component unit		(218,896.62)			119,129.21	(99,767.41)
Adjustment to restate the beginning cash and cash equivalents of the Capital Access Loan Loss Reserve Account			1,391.22			1,391.22
Adjustment to restate balances related to prior year's interest receivable				21,864.20		21,864.20
Adjustment to restate the Texas Economic Development Corporation's balances to its audited financial statements					51,802.00	51,802.00
Adjustment to restate the Texas Health Services Authority's balances to its fiscal year end and its audited financial statements					(1,161,133.25)	(1,161,133.25)
Fund Balance / Net Assets as of Sept. 1, 2011, as Restated	\$ 782,061,359.68	\$ 728,778.86	\$ 208,809.39	\$ 8,753,643.77	\$ 4,114,181.32	\$ 795,866,773.02

NOTE 15: Contingencies and Commitments

Federal Assistance

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.

Unpaid Claims and Lawsuits

The Governor of the State of Texas is a defendant in pending litigations related to public information requests, State administration and policy disagreements. While plaintiffs seek attorney fees in many of these lawsuits, no liability is recorded because adverse rulings are not probable.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Contingencies and Commitments (continued)

Other Contingencies

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

Claims and Recoveries FY2000 - FY2012		
GAAP Fund 9999 - Loan Loss Reserves		
<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
2012	-	-
Total	\$ 6,464,060.66	\$ 645,386.68
Average	\$ 497,235.44	\$ 49,645.13

NOTE 16: Subsequent Events

In September 2012 Terrabon Inc. filed for Chapter 7 bankruptcy. The Emerging Technology Fund (Agency 300, Fund 5124) owns 5,621,270 Series A Preferred Shares which are included within Governmental Funds as Noncurrent Assets - Investments at a fair value of \$2,692,588.33.

On November 5, 2012 Texas Small Business Industrial Development Corporation, a component unit of the Office, notified bondholders of its intent to redeem \$7,800,000 principal amount of its Floating Rate Demand Revenue Bonds on December 5, 2012.

NOTE 17: Risk Management

(Not Applicable)

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

(Not Applicable)

UNAUDITED

Office of the Governor (Agencies 301 and 300)

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. 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.

Individual Component Unit Disclosures

Blended Component Units

The blended component units' financial data are reported in a separate special revenue fund column (USAS GAAP fund 9999) of the governmental fund type.

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, 2011, are available from the Texas Governor's Fellowship Program. The corporation terminated its operations as of July 31, 2012.

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, 2012, are available from the Office's Financial Services Division.

Discretely Presented Component Units

Discrete component units' financial data 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, 2012, are available from the Office's Financial Services Division. TSBIDC has issued self-supporting demand revenue bonds; information on these bonds and the pledged future revenue is disclosed in Schedules 2A, 2B, 2C, and 2D and Notes 5 and 6.

The Texas Economic Development Corporation (TED Corp.) is a 501(c)(3) corporation established by the legislature to support the programs and activities of the Office's Division of Economic Development and Tourism. The 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, 2012, 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 services provided by TDRF assist the Office in responding to the needs of the citizens before, during, and after a disaster in Texas. While legally separate from the Office, TDRF is closely related to and is administered by the Office. The corporation's financial statements, for its fiscal year ending August 31, 2012, 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, 80th 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.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Financial Reporting Entity (continued)

The Beacon State Fund is a 501(c)(3) corporation which was created to support the goals of the Governor's Commission on Women in promoting issues affecting the women of Texas. The corporation benefits the Texas citizenry by increasing public awareness of issues affecting the women of Texas through distributing information, holding media events, and supporting community outreach programs which are consistent with the goals of the Commission. The Office appoints a voting majority of the board. The corporation's financial statements for its fiscal year ending December 31, 2011, are available from the Governor's Commission on Women.

The State Agency Council was also established to support the goals of the Governor's Commission on Women. The Council is a 501(c)(3) corporation that assists the Commission in benefiting the Texas citizenry by honoring women who have made significant contributions to Texas through their work in state government, providing opportunities for professional development to its state agency representatives and supporting community outreach programs consistent with the goals of the Commission. The Office appoints a voting majority of its board. The corporation's financial statements, for its fiscal year ending August 31, 2012, are available from the Governor's Commission on Women.

The Film Texas Fund is a 501(c)(6) corporation which was created to promote the development of the film, television, and multimedia industry in Texas in close cooperation with the Texas Film Commission. The corporation's financial statements, for its fiscal year ending December 31, 2011, are available from the Office's Financial Services Division.

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)

NOTE 25: Termination Benefits

(Not Applicable)

UNAUDITED

Office of the Governor (Agencies 301 and 300)

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)

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

For the Fiscal Year Ended August 31, 2012

	<u>Consolidated Accounts</u>		
	<u>General Revenue Fund (0001)*</u>	<u>Operators & Chauffeurs License (0099)*</u>	<u>Governor's Office Federal Projects (0224)*</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 1,280,612.78	\$ -	\$ 49,972,097.31
Legislative Appropriations	134,525,401.03		-
Receivables from:			
Federal	-	-	-
Interest and Dividends	485.05	-	18,362.93
Accounts Receivable	28,291.26	-	-
Due From Other Funds	-	-	-
Due From Other Agencies	178,669.22	4,605,785.62	-
Consumable Inventories	37,310.71	-	-
Loans and Contracts, net of allowance	-	-	-
Total Current Assets	<u>136,050,770.05</u>	<u>4,605,785.62</u>	<u>49,990,460.24</u>
Non-Current Assets:			
Loans and Contracts	-	-	-
Investments	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 136,050,770.05</u>	<u>\$ 4,605,785.62</u>	<u>\$ 49,990,460.24</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 2,610,782.41	\$ 118,806.33	\$ 1,496,447.42
Payroll	1,454,218.63	-	11,933.77
Due To Other Agencies	454,162.55	64,363.61	401,280.85
Deferred Revenue	766,184.56	-	48,080,798.20
Total Current Liabilities	<u>5,285,348.15</u>	<u>183,169.94</u>	<u>49,990,460.24</u>
Total Liabilities	<u>5,285,348.15</u>	<u>183,169.94</u>	<u>49,990,460.24</u>
Fund Financial Statement			
Fund Balances (Deficits):			
Nonspendable	37,310.71	-	-
Restricted	-	-	-
Committed	-	4,422,615.68	-
Assigned	-	-	-
Unassigned	130,728,111.19	-	-
Total Fund Balances	<u>130,765,421.90</u>	<u>4,422,615.68</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 136,050,770.05</u>	<u>\$ 4,605,785.62</u>	<u>\$ 49,990,460.24</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts				
Criminal Justice Planning (0421)*	Rural Economic Development (0425)*	Hotel Occupancy Tax for Economic Development (5003)*	Crime Stoppers Assistance (5012)*	Tourism Plates (5053)*
\$ 55,897,504.67	\$ 396,675.92	\$ 15,975,678.25	\$ 642,841.38	\$ 129,390.08
-	-	-	-	-
4,772,479.79	-	-	-	-
-	144.95	-	-	-
-	-	-	-	-
-	-	55,412.98	-	-
-	-	3,213,862.52	-	-
1,556.18	-	3,807.87	-	-
-	-	-	-	-
<u>60,671,540.64</u>	<u>396,820.87</u>	<u>19,248,761.62</u>	<u>642,841.38</u>	<u>129,390.08</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 60,671,540.64</u>	<u>\$ 396,820.87</u>	<u>\$ 19,248,761.62</u>	<u>\$ 642,841.38</u>	<u>\$ 129,390.08</u>
\$ 5,717,102.36	\$ -	\$ 2,919,290.84	\$ 53,900.80	\$ -
124,681.02	-	93,656.84	-	-
2,401,790.24	-	-	2,582.95	-
-	-	-	-	-
<u>8,243,573.62</u>	<u>-</u>	<u>3,012,947.68</u>	<u>56,483.75</u>	<u>-</u>
<u>8,243,573.62</u>	<u>-</u>	<u>3,012,947.68</u>	<u>56,483.75</u>	<u>-</u>
1,556.18	-	3,807.87	-	-
-	-	-	-	-
52,426,410.84	396,820.87	16,232,006.07	586,357.63	129,390.08
-	-	-	-	-
-	-	-	-	-
<u>52,427,967.02</u>	<u>396,820.87</u>	<u>16,235,813.94</u>	<u>586,357.63</u>	<u>129,390.08</u>
<u>\$ 60,671,540.64</u>	<u>\$ 396,820.87</u>	<u>\$ 19,248,761.62</u>	<u>\$ 642,841.38</u>	<u>\$ 129,390.08</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2012

	Consolidated Accounts			
	Texas Enterprise (5107)*	Economic Development and Tourism (5110)*	Texas Music Foundation Plates (5113)*	Texas Military Value Revolving Loan (5114)*
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in State Treasury	\$ 230,905,236.88	\$ 70,874.79	\$ 7,117.77	\$ 57,622.95
Legislative Appropriations	-	-	-	-
Receivables from:				
Federal	-	-	-	-
Interest and Dividends	84,915.17	-	-	1,233,752.39
Accounts Receivable	-	-	-	-
Due From Other Funds	-	-	-	-
Due From Other Agencies	-	-	-	-
Consumable Inventories	-	-	-	-
Loans and Contracts, net of allowance	-	-	-	1,280,000.00
Total Current Assets	230,990,152.05	70,874.79	7,117.77	2,571,375.34
Non-Current Assets:				
Loans and Contracts	335,954,103.00	-	-	47,400,000.00
Investments	-	-	-	-
Total Non-Current Assets	335,954,103.00	-	-	47,400,000.00
Total Assets	\$ 566,944,255.05	\$ 70,874.79	\$ 7,117.77	\$ 49,971,375.34
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ -	\$ 864.92	\$ -	\$ -
Payroll	-	-	-	-
Due To Other Agencies	-	-	-	-
Deferred Revenue	-	-	-	-
Total Current Liabilities	-	864.92	-	-
Total Liabilities	-	864.92	-	-
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	-	-	-	-
Restricted	-	-	-	49,971,375.34
Committed	566,944,255.05	70,009.87	7,117.77	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	566,944,255.05	70,009.87	7,117.77	49,971,375.34
Total Liabilities and Fund Balances	\$ 566,944,255.05	\$ 70,874.79	\$ 7,117.77	\$ 49,971,375.34

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts			
Daughters of the Republic of Texas (5115)*	Emerging Technology (5124)*	BP Oil Spill Tx Response Grant (5149)*	Total (Exhibit I)
\$ 19,621.80	\$ 112,045,519.71	\$ 5,064,874.04	\$ 472,465,668.33
-	-	-	134,525,401.03
-	-	-	4,772,479.79
-	41,580.22	1,850.16	1,381,090.87
-	-	-	28,291.26
-	-	-	55,412.98
-	4,419,170.90	-	12,417,488.26
-	-	-	42,674.76
-	-	-	1,280,000.00
<u>19,621.80</u>	<u>116,506,270.83</u>	<u>5,066,724.20</u>	<u>626,968,507.28</u>
-	1,750,000.00	-	385,104,103.00
-	184,823,567.54	-	184,823,567.54
-	186,573,567.54	-	569,927,670.54
<u>\$ 19,621.80</u>	<u>\$ 303,079,838.37</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,196,896,177.82</u>
\$ 19,621.80	\$ 6,968.22	\$ -	\$ 12,943,785.10
-	40,504.09	-	1,724,994.35
-	-	-	3,324,180.20
-	-	-	48,846,982.76
<u>19,621.80</u>	<u>47,472.31</u>	<u>-</u>	<u>66,839,942.41</u>
<u>19,621.80</u>	<u>47,472.31</u>	<u>-</u>	<u>66,839,942.41</u>
-	-	-	42,674.76
-	-	-	49,971,375.34
-	303,032,366.06	5,066,724.20	949,314,074.12
-	-	-	-
-	-	-	130,728,111.19
-	303,032,366.06	5,066,724.20	1,130,056,235.41
<u>\$ 19,621.80</u>	<u>\$ 303,079,838.37</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,196,896,177.82</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
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, 2012

	Consolidated Accounts		
	General Revenue Fund 0001 (0001)*	Operators & Chauffeurs License (0099)*	Governor's Office Federal Projects (0224)*
REVENUE			
Legislative Appropriations			
Original Appropriations	\$ 71,064,822.00	\$ -	\$ -
Additional Appropriations	2,874,313.53	-	-
Federal Revenue	13,085,552.56	-	20,624,172.81
Federal Grant Pass-Through Revenue	393,849.12	-	-
License, Fees & Permits	2,413,181.69	-	-
Interest and Other Investment Income	48.88	-	-
Net Increase (Decrease) in Fair Value	-	-	-
Sales of Goods and Services	243,415.62	-	-
Other	149,153.89	-	-
Total Revenue	90,224,337.29	-	20,624,172.81
EXPENDITURES			
Salaries and Wages	13,731,956.19	-	86,388.89
Payroll Related Costs	3,049,689.96	-	13,055.58
Professional Fees and Services	810,029.58	-	294,325.71
Travel	367,576.57	-	3,709.25
Materials and Supplies	394,205.26	-	2,141.42
Communication and Utilities	360,252.81	-	3,665.88
Repairs and Maintenance	105,620.13	-	-
Rentals and Leases	304,806.14	-	5,582.18
Printing and Reproduction	17,654.16	-	27.91
Federal Grant Pass-Through Expenditures	7,834,689.33	-	2,759,089.02
State Grant Pass-Through Expenditures	6,344,377.79	2,115,454.21	-
Intergovernmental Payments	8,037,219.51	4,079,772.01	16,357,524.73
Public Assistance Payments	337,821.96	-	1,035,411.01
Other Expenditures	24,119,869.04	-	63,251.23
Capital Outlay	66,996.95	-	-
Total Expenditures	65,882,765.38	6,195,226.22	20,624,172.81
Excess (Deficiency) of Revenue over Expenditures	24,341,571.91	(6,195,226.22)	-
OTHER FINANCING SOURCES (USES)			
Transfer In	(2,717.38)	1,708,682.42	-
Transfer Out	(1,665,143.42)	-	-
Legislative Transfer In	11,324,700.21	-	-
Legislative Transfer Out	(11,424,700.21)	-	-
Lapses	-	-	-
Total Other Financing Sources (Uses)	(1,767,860.80)	1,708,682.42	-
Net Change in Fund Balances	22,573,711.11	(4,486,543.80)	-
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2011	109,954,841.33	-	8,375,758.97
Restatements	(1,763,130.54)	8,909,159.48	(8,375,758.97)
Fund Balances, September 1, 2011, as Restated	108,191,710.79	8,909,159.48	-
Appropriations Lapsed	-	-	-
Fund Balances, August 31, 2012	\$ 130,765,421.90	\$ 4,422,615.68	\$ -

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts				
Criminal Justice Planning (0421)*	Rural Economic Development (0425)*	Hotel Occupancy Tax for Economic Development (5003)*	Crime Stoppers Assistance (5012)*	Tourism Plates (5053)*
\$ -	\$ -	\$ -	\$ -	\$ -
49,046,358.35	-	-	-	-
23,460,410.82	-	-	480,253.78	21,066.48
-	2,191.90	-	-	-
-	-	-	-	-
6,543.57	-	2,187.88	-	-
<u>72,513,312.74</u>	<u>2,191.90</u>	<u>2,187.88</u>	<u>480,253.78</u>	<u>21,066.48</u>
1,143,518.44	-	991,612.56	-	-
293,606.11	-	240,208.68	-	-
2,066,461.84	-	3,626,430.50	257,874.54	-
53,890.83	-	13,957.58	-	-
4,165.25	-	128,316.80	-	-
9,618.13	-	26,448.37	-	-
-	-	17,752.84	-	-
14,474.28	-	70,810.23	-	-
100.55	-	177.17	-	-
1,714,233.31	-	-	-	-
3,781,007.21	-	-	11,898.96	-
19,614,535.45	-	-	-	-
37,592,325.68	-	-	339,685.46	-
220,701.69	-	25,468,812.68	-	-
-	-	-	-	-
<u>66,508,638.77</u>	<u>-</u>	<u>30,584,527.41</u>	<u>609,458.96</u>	<u>-</u>
6,004,673.97	2,191.90	(30,582,339.53)	(129,205.18)	21,066.48
-	-	33,448,943.40	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	33,448,943.40	-	-
<u>6,004,673.97</u>	<u>2,191.90</u>	<u>2,866,603.87</u>	<u>(129,205.18)</u>	<u>21,066.48</u>
45,823,794.96	394,628.97	13,369,210.07	715,562.81	108,323.60
599,498.09	-	-	-	-
<u>46,423,293.05</u>	<u>394,628.97</u>	<u>13,369,210.07</u>	<u>715,562.81</u>	<u>108,323.60</u>
-	-	-	-	-
<u>\$ 52,427,967.02</u>	<u>\$ 396,820.87</u>	<u>\$ 16,235,813.94</u>	<u>\$ 586,357.63</u>	<u>\$ 129,390.08</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
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, 2012

	Consolidated Accounts			
	Texas Enterprise (5107)*	Economic Development and Tourism (5110)*	Texas Music Foundation Plates (5113)*	Texas Military Loan (5114)*
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ -	\$ -	\$ -	\$ -
Additional Appropriations	-	-	-	-
Federal Revenue	-	-	-	-
Federal Grant Pass-Through Revenue	-	-	-	-
License, Fees & Permits	-	7,468.83	9,889.62	-
Interest and Other Investment Income	1,352,199.99	-	-	-
Net Increase (Decrease) in Fair Value	-	-	-	2,466,325.92
Sales of Goods and Services	-	-	-	-
Other	-	516.20	-	-
Total Revenue	<u>1,352,199.99</u>	<u>7,985.03</u>	<u>9,889.62</u>	<u>2,466,325.92</u>
EXPENDITURES				
Salaries and Wages	-	-	-	-
Payroll Related Costs	-	-	-	-
Professional Fees and Services	-	-	-	-
Travel	-	8,806.65	-	-
Materials and Supplies	-	169.00	-	-
Communication and Utilities	-	-	-	-
Repairs and Maintenance	-	-	-	-
Rentals and Leases	-	-	-	-
Printing and Reproduction	-	44.85	-	-
Federal Grant Pass-Through Expenditures	-	-	-	-
State Grant Pass-Through Expenditures	-	-	-	-
Intergovernmental Payments	-	-	13,170.73	-
Public Assistance Payments	-	-	-	-
Other Expenditures	2,500,000.00	135.00	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>2,500,000.00</u>	<u>9,155.50</u>	<u>13,170.73</u>	<u>-</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(1,147,800.01)</u>	<u>(1,170.47)</u>	<u>(3,281.11)</u>	<u>2,466,325.92</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	1,670.76
Transfer Out	-	-	-	(2,941,762.64)
Legislative Transfer In	-	-	-	-
Legislative Transfer Out	-	-	-	-
Lapses	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,940,091.88)</u>
Net Change in Fund Balances	<u>(1,147,800.01)</u>	<u>(1,170.47)</u>	<u>(3,281.11)</u>	<u>(473,765.96)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2011	573,215,228.06	71,180.34	10,398.88	49,202,109.98
Restatements	(5,123,173.00)	-	-	1,243,031.32
Fund Balances, September 1, 2011, as Restated	<u>568,092,055.06</u>	<u>71,180.34</u>	<u>10,398.88</u>	<u>50,445,141.30</u>
Appropriations Lapsed	-	-	-	-
Fund Balances, August 31, 2012	<u>\$ 566,944,255.05</u>	<u>\$ 70,009.87</u>	<u>\$ 7,117.77</u>	<u>\$ 49,971,375.34</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts

Daughters of the Republic of Texas (5115)*	Emerging Technology (5124)*	BP Oil Spill Tx Response Grant (5149)*	Total (Exhibit II)
\$ -	\$ -	\$ -	\$ 71,064,822.00
-	-	-	2,874,313.53
-	-	-	82,756,083.72
-	-	-	393,849.12
78,894.45	-	-	26,471,165.67
-	795,577.46	27,986.08	4,644,330.23
-	6,967,620.16	-	6,967,620.16
-	-	-	243,415.62
-	6,429.40	-	164,830.94
<u>78,894.45</u>	<u>7,769,627.02</u>	<u>27,986.08</u>	<u>195,580,430.99</u>
-	388,800.21	-	16,342,276.29
-	108,611.50	-	3,705,171.83
-	26,019.05	-	7,081,141.22
-	9,992.63	-	457,933.51
-	10,987.27	-	539,985.00
-	4,701.55	-	404,686.74
-	8.82	-	123,381.79
-	7,197.38	-	402,870.21
-	1,538.66	-	19,543.30
-	-	-	12,308,011.66
-	13,499,959.41	-	25,752,697.58
-	-	-	48,102,222.43
78,894.45	3,023,292.91	-	42,407,431.47
-	6,109,346.70	-	58,482,116.34
-	-	-	66,996.95
<u>78,894.45</u>	<u>23,190,456.09</u>	<u>-</u>	<u>216,196,466.32</u>
-	(15,420,829.07)	27,986.08	(20,616,035.33)
-	-	-	35,156,579.20
-	-	-	(4,606,906.06)
-	-	-	11,324,700.21
-	-	-	(11,424,700.21)
-	-	-	-
-	-	-	30,449,673.14
-	(15,420,829.07)	27,986.08	9,833,637.81
-	318,453,195.13	5,038,738.12	1,124,732,971.22
-	-	-	(4,510,373.62)
-	318,453,195.13	5,038,738.12	1,120,222,597.60
-	-	-	-
<u>\$ -</u>	<u>\$ 303,032,366.06</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,130,056,235.41</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Child Support Employee Deductable Account (0807), U/F (0807)*				
ASSETS				
Cash in State Treasury	\$ 500.00	\$ 5,000.00	\$ 5,500.00	\$ -
Total Assets	\$ 500.00	\$ 5,000.00	\$ 5,500.00	\$ -
LIABILITIES				
Funds Held for Others	\$ 500.00	\$ 4,500.00	\$ 5,000.00	\$ -
Total Liabilities	\$ 500.00	\$ 4,500.00	\$ 5,000.00	\$ -
Departmental Suspense Fund (0900), U/F(0900)				
ASSETS				
Cash in State Treasury	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
Total Assets	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
Total Liabilities	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
Overpayments to Employees Account (0900), U/F (9015)				
ASSETS				
Cash in State Treasury	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
Total Assets	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
LIABILITIES				
Funds Held for Others	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
Total Liabilities	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
Correction Account for Direct Deposit Account (0980), U/F (0980)				
ASSETS				
Cash in State Treasury	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Assets	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Liabilities	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Unappropriated General Revenue Agency Fund 1000 (1000) U/F (1002)				
ASSETS				
Cash in State Treasury	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -
Total Assets	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -
Total Liabilities	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -

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

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301) and Trusteed Programs (300)
 Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2012

	Beginning Balance <u>September 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>August 31, 2012</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 500.00	\$ 12,559,332.18	\$ 12,559,491.66	\$ 340.52
Total Assets	<u>\$ 500.00</u>	<u>\$ 12,559,332.18</u>	<u>\$ 12,559,491.66</u>	<u>\$ 340.52</u>
LIABILITIES				
Funds Held for Others	\$ 500.00	\$ 12,558,832.18	\$ 12,558,991.66	\$ 340.52
Total Liabilities	<u>\$ 500.00</u>	<u>\$ 12,558,832.18</u>	<u>\$ 12,558,991.66</u>	<u>\$ 340.52</u>

UNAUDITED

Office of the Governor - Trusteed Programs (300)

SCHEDULE 1A - Combining Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2012

Federal Grantor / Pass-Through Grantor	Federal CFDA Number	Pass-Through From		Direct Program Amount	Total Pass-Through From and Direct Program
		Agency or Univ. Number	Agencies or Univ. Amount		
U.S. Department of Justice					
Sexual Assault Services Formula Program	16.017				
Pass-Through To:					
Non-State Entities			\$ -	\$ 329,448.97	\$ 329,448.97
Juvenile Accountability Incentive Block Grants	16.523				
Pass-Through To:					
Texas Juvenile Probation Commission				624,562.69	624,562.69
Non-State Entities				3,055,136.19	3,055,136.19
Juvenile Justice and Delinquency Prevention	16.540				
Pass-Through To:					
Commission on Jail Standards				31,500.00	31,500.00
University of Texas at Arlington				59,991.36	59,991.36
Texas State University at San Marcos				321,978.62	321,978.62
Non-State Entities				2,891,469.26	2,891,469.26
Direct Program:					
Title V-Delinquency Prevention Program	16.548				
Pass-Through To:					
Non-State Entities				2,519.79	2,519.79
Crime Victim Assistance	16.575				
Pass-Through To:					
Texas Department of Public Safety				263,478.20	263,478.20
Texas Department of Criminal Justice				19,898.19	19,898.19
Non-State Entities				33,126,914.88	33,126,914.88
Violence Against Women Formula Grants	16.588				
Pass-Through To:					
Office of Court Administration				88,506.76	88,506.76
University of Texas at Austin				113,762.61	113,762.61
Non-State Entities				8,394,519.84	8,394,519.84
Residential Substance Abuse Treatment for State Prisoners	16.593				
Pass-Through To:					
Non-State Entities				2,059,753.41	2,059,753.41
Bulletproof Vest Partnership Program	16.607				
Pass-Through To:					
Attorney General's Office				4,075.16	4,075.16
Texas Department of Public Safety				259,248.21	259,248.21
Texas Department of Criminal Justice				200,660.46	200,660.46
Texas A&M University (Main University)				2,883.69	2,883.69
Texas State Technical College System				1,613.09	1,613.09
University of Texas Medical Branch at Galveston				4,174.73	4,174.73
University of Texas Southwestern Medical Center of Dallas				3,249.95	3,249.95
Angelo State University				3,933.21	3,933.21
University of Texas at San Antonio				2,049.10	2,049.10
University of Texas at Brownsville				4,340.70	4,340.70
Texas State University at San Marcos				719.00	719.00
University of Houston – Clear Lake				1,737.50	1,737.50
Parks and Wildlife Department				28,777.76	28,777.76
Edward Byrne Memorial Justice Assistance Grant Program	16.738				
Pass-Through To:					
Attorney General's Office				237,371.20	237,371.20
Texas Department of Public Safety				562,362.00	562,362.00
Commission on Law Enforcement Officer Standards and Education				79,740.29	79,740.29
Texas Alcoholic Beverage Commission				21,747.62	21,747.62
Texas Department of Criminal Justice				844,570.64	844,570.64
Texas A&M Engineering Extension Service				141,361.52	141,361.52
Texas State University at San Marcos				170,904.44	170,904.44
Parks and Wildlife Department				76,468.62	76,468.62
Non-State Entities				15,839,291.70	15,839,291.70

UNAUDITED

Agency or Univ. Number	Pass-Through To		Expenditure Amount	Total Pass-Through To and Expenditures
	Agencies or Univ. Amount	Non-State Entities Amount		
	\$ -	\$ 329,448.97	\$ -	\$ 329,448.97
665	624,562.69			624,562.69
		3,003,436.22	51,699.97	3,055,136.19
409	31,500.00			31,500.00
714	59,991.36			59,991.36
754	321,978.62			321,978.62
		2,553,866.10	337,603.16	2,891,469.26
				2,519.79
				2,519.79
405	263,478.20			263,478.20
696	19,898.19			19,898.19
		31,700,588.19	1,426,326.69	33,126,914.88
212	88,506.76			88,506.76
721	113,762.61			113,762.61
		7,857,125.19	537,394.65	8,394,519.84
				2,059,753.41
				2,059,753.41
302	4,075.16			4,075.16
405	259,248.21			259,248.21
696	200,660.46			200,660.46
711	2,883.69			2,883.69
719	1,613.09			1,613.09
723	4,174.73			4,174.73
729	3,249.95			3,249.95
737	3,933.21			3,933.21
743	2,049.10			2,049.10
747	4,340.70			4,340.70
754	719.00			719.00
759	1,737.50			1,737.50
802	28,777.76			28,777.76
302	237,371.20			237,371.20
405	562,362.00			562,362.00
407	79,740.29			79,740.29
458	21,747.62			21,747.62
696	844,570.64			844,570.64
716	141,361.52			141,361.52
754	170,904.44			170,904.44
802	76,468.62			76,468.62
		14,389,499.52	1,449,792.18	15,839,291.70

UNAUDITED

Office of the Governor - Trusteed Programs (300)

SCHEDULE 1A - Combining Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2012

Federal Grantor / Pass-Through Grantor	Federal CFDA Number	Pass-Through From		Direct Program Amount	Total Pass-Through From and Direct Program
		Agency or Univ. Number	Agencies or Univ. Amount		
Forensic DNA Backlog Reduction Program	16.741				
Pass-Through To:					
Texas Tech University				255,172.35	255,172.35
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742				
Pass-Through To:					
Texas Department of Public Safety				243,143.12	243,143.12
Non-State Entities				1,021,647.14	1,021,647.14
Total U.S. Department of Justice				71,394,683.97	71,394,683.97
<u>American Recovery and Reinvestment Act</u>					
U.S. Department of Justice					
ARRA - Violence Against Women Formula Grants	16.588				
Pass-Through To:					
Non-State Entities			\$ -	\$ 665,477.96	\$ 665,477.96
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	16.801				
Pass-Through To:					
Non-State Entities				2,086.05	2,086.05
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				6,967,706.63	6,967,706.63
Texas Department of Insurance				80,425.01	80,425.01
Texas Department of Criminal Justice				129,272.18	129,272.18
Parks and Wildlife Department				657,285.51	657,285.51
Non-State Entities				3,059,806.87	3,059,806.87
Total American Recovery & Reinvestment Act - U.S. Department of Justice				11,562,060.21	11,562,060.21
<u>State Fiscal Stabilization Fund Cluster</u>					
U.S. Department of Education					
ARRA-State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397				
Pass-Through From:					
Texas Higher Education Coordinating Board		781	(131.82)		(131.82)
Total State Fiscal Stabilization Fund - U.S. Department of Education					(131.82)
<u>WIA Cluster</u>					
U.S. Department of Labor					
WIA Youth Activities	17.259				
Pass-Through From:					
Texas Workforce Commission		320	95,173.51		95,173.51
WIA Dislocated Worker Formula Grants					
Pass-Through From:					
Texas Workforce Commission	17.278	320	298,807.43		298,807.43
Total U.S. Department of Labor			393,980.94		393,980.94
Total Federal Assistance			\$ 393,849.12	\$ 82,956,744.18	\$ 83,350,593.30

UNAUDITED

Agency or Univ. Number	Pass-Through To		Expenditure Amount	Total Pass-Through To and Expenditures
	Agencies or Univ. Amount	Non-State Entities Amount		
733	255,172.35			255,172.35
405	243,143.12	1,021,647.14		243,143.12 1,021,647.14
	4,673,982.79	62,916,487.16	3,804,214.02	71,394,683.97
		\$ 530,478.36	\$ 134,999.60	\$ 665,477.96
		2,086.05		2,086.05
405	6,967,706.63			6,967,706.63
454	80,425.01			80,425.01
696	129,272.18			129,272.18
802	657,285.51	3,020,768.86	39,038.01	657,285.51 3,059,806.87
	7,834,689.33	3,553,333.27	174,037.61	11,562,060.21
			(131.82)	(131.82)
			(131.82)	(131.82)
		7,214.26	87,959.25	95,173.51
		162,800.15	136,007.28	298,807.43
	-	170,014.41	223,966.53	393,980.94
	\$ 12,508,672.12	\$ 66,639,834.84	\$ 4,202,086.34	\$ 83,350,593.30

UNAUDITED

Office of the Governor - Trusteed Programs (300)

SCHEDULE 1A - COMBINING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2012

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)	\$ 82,756,083.72
Federal Pass-Through Revenue (Exh. II)	393,849.12
Total	83,149,932.84

Reconciling Item:

Restatement due to correction of PY Pass-through by Agy 696	200,660.46
	200,660.46

Total Pass-Through and Expenditures per Schedule of Expenditures of Federal Awards	\$ 83,350,593.30
	83,350,593.30

NOTES 3 - 6: Not Applicable

NOTE 7: Federal Deferred Revenue

<u>CFDA</u>	<u>Balance September 1, 2011</u>	<u>Net Change</u>	<u>Balance August 31, 2012</u>
16.523	\$ 5,014,983.64	\$ (1,203,010.69)	\$ 3,811,972.95
16.738	29,458,833.63	14,809,991.62	44,268,825.25
16.803	11,632,608.59	(10,866,424.03)	766,184.56
TOTAL	\$ 46,106,425.86	\$ 2,740,556.90	\$ 48,846,982.76
	46,106,425.86	2,740,556.90	48,846,982.76

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

UNAUDITED

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, 2012

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

Fund 0001	Pass-Through To:	Amount of Pass-Through
	Disaster Grants	
	Adjutant General's Department (401)	\$ 2,265,504.98
	Texas Department of Public Safety (405)	4,003,158.81
	Texas A&M Forest Service (576)	75,714.00
Subtotal Pass-Through from Fund 0001		\$ 6,344,377.79
Fund 0099	Pass-Through To:	Amount of Pass-Through
	TX Border Security	
	Texas Department of Public Safety (405)	\$ 2,115,454.21
Subtotal Pass-Through from Fund 0099		\$ 2,115,454.21
Fund 0421	Pass-Through To:	Amount of Pass-Through
	Innocence Project Expansion	
	Office of Court Administration (212)	\$ (37,786.55)
	Prosecution of Prison Crimes	
	Comptroller's Judiciary Section, District Courts (241)	1,432,227.00
	Human Trafficking Project	
	Office of the Attorney General (302)	112,400.92
	Amber Alert	
	Texas Department of Public Safety (405)	135,562.28
	Drawbridge Expansion Project	
	Texas Department of Public Safety (405)	518,282.97
	Equipment Purchase and Arson Canine Replacement	
	Texas Department of Insurance (454)	35,795.22
	Communications Project	
	Texas Alcoholic Beverage Commission (458)	299,997.20
	Spring Break 2012/2013	
	Texas Alcoholic Beverage Commission (458)	177,171.99
	Office of the Independent Ombudsman Expanded Services	
	Texas Juvenile Justice Department (644)	68,718.05
	Texas Youth Commission (694)	34,292.83
	Suspending Kids to School	
	Texas A&M University (Main University) (711)	128,685.60
	Advanced Law Enforcement Rapid Response Training (ALERRT)	
	Texas State University – San Marcos (754)	812,519.69
	Institute for Criminal Justice Studies (ICJS)	
	Texas State University – San Marcos (754)	9,352.78
	Keep Kids in School	
	Texas State University – San Marcos (754)	14,914.59
	Backlog Reduction of DNA Testing	
	Texas Department of Public Safety (405)	38,872.64
Subtotal Pass-Through from Fund 0421		\$ 3,781,007.21
Fund 5012	Pass-Through To:	Amount of Pass-Through
	Texas Top 10 Technology Enhancement	
	Texas Department of Public Safety (405)	\$ 5,998.80
	Behind the Walls	
	Texas Department of Criminal Justice (696)	5,900.16
Subtotal Pass-Through from Fund 5012		\$ 11,898.96
Fund 5124	Pass-Through To:	Amount of Pass-Through
	Emerging Technology Grants	
	Texas Tech University (733)	\$ 2,164,972.70
	University of Texas Health Science Center at Houston (744)	6,000,000.00
	Texas A&M University System Health Science Center (709)	415,147.47
	Texas State Technical College System (719)	250,000.00
	University of Texas at Dallas (738)	3,415,000.00
	University of Texas at San Antonio (743)	(426.17)
	Texas State University – San Marcos (754)	913,772.35
	Texas A&M University System (710)	250,000.00
	Texas Tech University System (768)	91,493.06
Subtotal Pass-Through from Fund 5124		\$ 13,499,959.41
Total Pass-Through to Other Agencies (Exhibit II)		\$ 25,752,697.58

UNAUDITED

Office of the Governor - Trustee Programs (300)
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2012

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	9,900,000.00	4.000%	4.375%		2010	2026	10/1/2016
Texas Military Value Revolving Loan Program Series 2007 A-2	10,160,000.00	4.000%	4.625%		2012	2036	10/1/2016
Texas Military Value Revolving Loan Program Series 2007 B	28,620,000.00	5.200%	5.700%		2012	2036	10/1/2016
Total:	\$ 93,680,000.00						

Component Unit

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities			
				First Year	Last Year	First Call Date	
<u>Revenue Bonds - Self-Supporting:</u>							
TSBIDC Floating Rate Dem Rev Bds Ser 1986	\$ 20,000,000.00	VAR	VAR	Weekly	1986	2026	10/8/1986
Total:	\$ 20,000,000.00						

UNAUDITED

Office of the Governor - Trustee Programs (300)
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2012

Governmental Activities

Description of Issue	Bonds Outstanding 9/1/2011	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2012	Net Bonds Outstanding (Ending)	Amounts Due Within One Year
<u>General Obligation Bonds - Self-Supporting:</u>							
Product Development Var							
Rate Demand Bonds							
Series 2005A	\$ 25,000,000.00	\$ -	\$ -	\$ -	\$ 25,000,000.00	\$ 25,000,000.00	\$ -
Small Incubator Var Rate							
Demand Bonds Series							
2005B	\$ 20,000,000.00	\$ -	\$ -	\$ -	\$ 20,000,000.00	\$ 20,000,000.00	\$ -
Texas Military Value							
Revolving Loan Fund							
Series 2007 A-1	\$ 10,365,000.00	\$ -	\$ 465,000.00	\$ -	\$ 9,900,000.00	\$ 9,900,000.00	\$ 485,000.00
Texas Military Value							
Revolving Loan Fund							
Series 2007 A-2	\$ 10,160,000.00	\$ -	\$ -	\$ -	\$ 10,160,000.00	\$ 10,160,000.00	\$ 230,000.00
Texas Military Value							
Revolving Loan Fund							
Series 2007 B	\$ 28,620,000.00	\$ -	\$ -	\$ -	\$ 28,620,000.00	\$ 28,620,000.00	\$ 565,000.00

Component Unit

Description of Issue	Bonds Outstanding 9/1/2011	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2012	Net Bonds Outstanding (Ending)	Amounts Due Within One Year
<u>Revenue Bonds - Self-Supporting:</u>							
TSBIDC Floating Rate							
Dem Rev Bds Ser 1986	\$ 60,000,000.00	\$ -	\$ -	\$ 40,000,000.00	\$ 20,000,000.00	\$ 20,000,000.00	\$ -

UNAUDITED

Office of the Governor - Trustee Programs (300)

Schedule 2C - Debt Service Requirements

For the Fiscal Year Ended August 31, 2012

Governmental Activities

Description of Issue	FY	Principal	Interest
<u>General Obligation Bonds - Self-Supporting:</u>			
<u>Product Development Var Rate Demand Bonds Series 2005A</u>			
	2013	\$ -	\$ 52,500.00
	2014		52,500.00
	2015		52,500.00
	2016		52,500.00
	2017		52,500.00
	2018 - 2022		262,500.00
	2023 - 2027		262,500.00
	2028 - 2032		262,500.00
	2033 - 2037		262,500.00
	2038 - 2042		262,500.00
	2043 - 2045	25,000,000.00	144,375.00
		<u>\$ 25,000,000.00</u>	<u>\$ 1,719,375.00</u>
<u>Small Incubator Var Rate Demand Bonds Series 2005B</u>			
	2013	\$ -	\$ 42,000.00
	2014		42,000.00
	2015		42,000.00
	2016		42,000.00
	2017		42,000.00
	2018 - 2022		210,000.00
	2023 - 2027		210,000.00
	2028 - 2032		210,000.00
	2033 - 2037		210,000.00
	2038 - 2042		210,000.00
	2043 - 2045	20,000,000.00	115,500.00
		<u>\$ 20,000,000.00</u>	<u>\$ 1,375,500.00</u>
<u>Texas Military Value Revolving Loan Fund Series 2007 A-1</u>			
	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	575,000.00	317,506.25
	2018 - 2022	3,250,000.00	1,210,531.26
	2023 - 2027	4,010,000.00	452,012.53
		<u>\$ 9,900,000.00</u>	<u>\$ 3,476,543.79</u>
<u>Texas Military Value Revolving Loan Fund Series 2007 A-2</u>			
	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	270,000.00	408,000.00
	2018 - 2022	1,545,000.00	1,856,840.64
	2023 - 2027	1,920,000.00	1,480,062.55
	2028 - 2032	2,410,000.00	990,168.79
	2033 - 2037	3,035,000.00	364,103.16
		<u>\$ 10,160,000.00</u>	<u>\$ 6,833,175.14</u>

UNAUDITED

Office of the Governor - Trustee Programs (300)

Schedule 2C - Debt Service Requirements

For the Fiscal Year Ended August 31, 2012

Governmental Activities (continued)

Description of Issue	FY	Principal	Interest
Texas Military Value Revolving Loan Fund Series			
2007 B	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	690,000.00	1,454,530.00
	2018 - 2022	4,045,000.00	6,663,631.25
	2023 - 2027	5,290,000.00	5,380,053.75
	2028 - 2032	6,970,000.00	3,654,243.75
	2033 - 2037	9,185,000.00	1,366,432.50
		<u>\$ 28,620,000.00</u>	<u>\$ 24,672,167.50</u>

Component Unit

Description of Issue	FY	Principal	Interest
<u>Revenue Bonds - Self-Supporting:</u>			
TSBIDC Floating Rate Dem Rev Bds Ser '86	2013	\$ -	\$ 36,000.00
	2014		36,000.00
	2015		36,000.00
	2016		36,000.00
	2017		36,000.00
	2018 - 2022		180,000.00
	2023 - 2026	20,000,000.00	130,500.00
		<u>\$ 20,000,000.00</u>	<u>\$ 490,500.00</u>

UNAUDITED

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, 2012**

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	\$ -	\$ 48,430.98
Small Incubator Var Rate Demand Bonds Series 2005B		38,744.76
Texas Military Value Revolving Loan Fund Series 2007 A-1	465,000.00	424,312.50
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>\$ 465,000.00</u>	<u>\$ 2,563,938.24</u>

Discrete Component Unit

Description of Issue/Parity Issues	Pledged and Other Sources and Related Expenditures for FY 2012			
	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	\$ 463,624.10	\$ 753,611.03	\$ -	\$ 66,500.61
Total	<u>\$ 463,624.10</u>	<u>\$ 753,611.03</u>	<u>\$ -</u>	<u>\$ 66,500.61</u>

Office of the Governor - Trustee Programs (300)

**Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2012**

(Not Applicable)

UNAUDITED

Agy 300 - Governor - Trusteed Programs (300)
 Annual Financial Report
 Schedule 2F - Early Extinguishment and Refunding
 For the Fiscal Year Ended August 31, 2012

Discrete Component Unit

Description of Issue	Category	Amount Extinguished or Refunded	For Refundings Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/Loss
Revenue Bonds - Self-Supporting: TSBIDC Floating Rate Dem Rev Bds Ser '86	Early Extinguishment	\$ 40,000,000.00	NA	NA	NA
Total		<u>\$ 40,000,000.00</u>			

This page intentionally left blank.

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

This page intentionally left blank.

UNAUDITED

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, 2012**

	<u>Governmental Fund Types</u>			<u>Statement of Net Assets</u>
	<u>General Funds (Exhibit A-1 301)</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	
ASSETS				
Current Assets:				
Legislative Appropriations	\$ 4,029,634.91	\$ -	\$ -	\$ 4,029,634.91
Consumable Inventories	16,473.62	-	-	16,473.62
Total Current Assets	<u>4,046,108.53</u>	<u>-</u>	<u>-</u>	<u>4,046,108.53</u>
Non-Current Assets:				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment	-	500,973.88	-	500,973.88
Less Accumulated Depreciation	-	(367,305.76)	-	(367,305.76)
Total Non-Current Assets	<u>-</u>	<u>133,668.12</u>	<u>-</u>	<u>133,668.12</u>
Total Assets	<u>\$ 4,046,108.53</u>	<u>\$ 133,668.12</u>	<u>\$ -</u>	<u>\$ 4,179,776.65</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 105,855.86	\$ -	\$ -	\$ 105,855.86
Payroll	1,108,400.58	-	-	1,108,400.58
Employees' Compensable Leave (Note 5)	-	-	751,366.35	751,366.35
Total Current Liabilities	<u>1,214,256.44</u>	<u>-</u>	<u>751,366.35</u>	<u>1,965,622.79</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 5)	-	-	510,276.50	510,276.50
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>510,276.50</u>	<u>510,276.50</u>
Total Liabilities	<u>1,214,256.44</u>	<u>-</u>	<u>1,261,642.85</u>	<u>2,475,899.29</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	16,473.62			16,473.62
Unassigned	2,815,378.47			2,815,378.47
Total Fund Balances	<u>2,831,852.09</u>			<u>2,831,852.09</u>
Total Liabilities and Fund Balances	<u>\$ 4,046,108.53</u>			
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt		133,668.12	-	133,668.12
Unrestricted		-	(1,261,642.85)	(1,261,642.85)
Total Net Assets		<u>\$ 133,668.12</u>	<u>\$ (1,261,642.85)</u>	<u>\$ 1,703,877.36</u>

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

UNAUDITED

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, 2012

	<u>General Funds</u> (Exhibit A-2 301)	<u>Governmental</u> <u>Funds Total</u>
REVENUE		
Legislative Appropriations:		
Original Appropriations	\$ 9,904,980.00	\$ 9,904,980.00
Additional Appropriations	2,121,285.61	2,121,285.61
License, Fees & Permits	5,096.90	5,096.90
Sales of Goods and Services	53,008.34	53,008.34
Other	72,232.30	72,232.30
Total Revenue	<u>12,156,603.15</u>	<u>12,156,603.15</u>
EXPENDITURES		
Salaries and Wages	10,342,679.61	10,342,679.61
Payroll Related Costs	2,236,082.40	2,236,082.40
Professional Fees and Services	124,221.05	124,221.05
Travel	54,019.05	54,019.05
Materials and Supplies	341,127.44	341,127.44
Communication and Utilities	162,855.68	162,855.68
Repairs and Maintenance	41,125.56	41,125.56
Rentals and Leases	96,029.69	96,029.69
Printing and Reproduction	5,539.60	5,539.60
Other Expenditures	140,657.30	140,657.30
Capital Outlay	66,996.95	66,996.95
Depreciation Expense	-	-
Total Expenditures/Expenses	<u>13,611,334.33</u>	<u>13,611,334.33</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(1,454,731.18)</u>	<u>(1,454,731.18)</u>
OTHER FINANCING SOURCES (USES)		
Transfer In	-	-
Transfer Out	2,717.38	2,717.38
Legislative Transfer In (Note 12)	2,822,546.00	2,822,546.00
Legislative Transfer Out (Note 12)	(8,502,154.21)	(8,502,154.21)
Total Other Financing Sources (Uses)	<u>(5,676,890.83)</u>	<u>(5,676,890.83)</u>
Net Change in Fund Balances/Net Assets	<u>(7,131,622.01)</u>	<u>(7,131,622.01)</u>
Fund Financial Statement - Fund Balances		
Fund Balances, September 1, 2011	10,106,865.98	10,106,865.98
Restatements (Note 14)	(143,391.88)	(143,391.88)
Fund Balances, September 1, 2011, as Restated	<u>9,963,474.10</u>	<u>9,963,474.10</u>
Appropriations Lapsed	-	-
Fund Balances, August 31, 2012	<u>\$ 2,831,852.09</u>	<u>\$ 2,831,852.09</u>
Government-Wide Statement of Net Assets		
Net Assets/Net Change in Net Assets		<u>\$ 2,831,852.09</u>
Net Assets, September 1, 2011		-
Restatements		-
Net Assets, September 1, 2011, as Restated		-
Net Assets, August 31, 2012		<u>\$ 2,831,852.09</u>

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

UNAUDITED

<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ 9,904,980.00
-	-	2,121,285.61
-	-	5,096.90
-	-	53,008.34
-	-	72,232.30
<u>-</u>	<u>-</u>	<u>12,156,603.15</u>
-	(199,488.00)	10,143,191.61
-	-	2,236,082.40
-	-	124,221.05
-	-	54,019.05
-	-	341,127.44
-	-	162,855.68
-	-	41,125.56
-	-	96,029.69
-	-	5,539.60
-	-	140,657.30
(66,996.95)	-	-
<u>33,551.90</u>	<u>-</u>	<u>33,551.90</u>
<u>(33,445.05)</u>	<u>(199,488.00)</u>	<u>13,378,401.28</u>
<u>33,445.05</u>	<u>199,488.00</u>	<u>(1,221,798.13)</u>
-	-	-
-	-	2,717.38
-	-	2,822,546.00
<u>-</u>	<u>-</u>	<u>(8,502,154.21)</u>
<u>-</u>	<u>-</u>	<u>(5,676,890.83)</u>
		<u>(6,898,688.96)</u>
		10,106,865.98
		<u>(143,391.88)</u>
		<u>9,963,474.10</u>
		-
		<u>\$ 3,064,785.14</u>
<u>\$ 33,445.05</u>	<u>\$ 199,488.00</u>	<u>\$ 3,064,785.14</u>
100,223.07	(1,461,130.85)	(1,360,907.78)
<u>-</u>	<u>-</u>	<u>-</u>
<u>100,223.07</u>	<u>(1,461,130.85)</u>	<u>(1,360,907.78)</u>
<u>\$ 133,668.12</u>	<u>\$ (1,261,642.85)</u>	<u>\$ 1,703,877.36</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, 2012

	General Revenue Fund (0001)*	Total (Exhibit I 301)
ASSETS		
Current Assets:		
Legislative Appropriations	\$ 4,029,634.91	\$ 4,029,634.91
Consumable Inventories	16,473.62	16,473.62
Total Current Assets	4,046,108.53	4,046,108.53
Total Assets	\$ 4,046,108.53	\$ 4,046,108.53
LIABILITIES AND FUND BALANCES		
Liabilities		
Current Liabilities:		
Payables from:		
Accounts	\$ 105,855.86	\$ 105,855.86
Payroll	1,108,400.58	1,108,400.58
Total Current Liabilities	1,214,256.44	1,214,256.44
Total Liabilities	1,214,256.44	1,214,256.44
Fund Financial Statement		
Fund Balances (Deficits):		
Nonspendable	16,473.62	16,473.62
Unassigned	2,815,378.47	2,815,378.47
Total Fund Balances	2,831,852.09	2,831,852.09
Total Liabilities and Fund Balances	\$ 4,046,108.53	\$ 4,046,108.53

* GAAP Fund is noted as (XXXX)

UNAUDITED

Office of the Governor - Core Operations (301)

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, 2012

	<u>General Revenue Fund (0001)*</u>	<u>Total (Exhibit II 301)</u>
REVENUE		
Legislative Appropriations:		
Original Appropriations	\$ 9,904,980.00	\$ 9,904,980.00
Additional Appropriations	2,121,285.61	2,121,285.61
License, Fees & Permits	5,096.90	5,096.90
Sales of Goods and Services	53,008.34	53,008.34
Other	72,232.30	72,232.30
Total Revenue	<u>12,156,603.15</u>	<u>12,156,603.15</u>
EXPENDITURES		
Salaries and Wages	10,342,679.61	10,342,679.61
Payroll Related Costs	2,236,082.40	2,236,082.40
Professional Fees and Services	124,221.05	124,221.05
Travel	54,019.05	54,019.05
Materials and Supplies	341,127.44	341,127.44
Communication and Utilities	162,855.68	162,855.68
Repairs and Maintenance	41,125.56	41,125.56
Rentals and Leases	96,029.69	96,029.69
Printing and Reproduction	5,539.60	5,539.60
Other Expenditures	140,657.30	140,657.30
Capital Outlay	66,996.95	66,996.95
Total Expenditures	<u>13,611,334.33</u>	<u>13,611,334.33</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(1,454,731.18)</u>	<u>(1,454,731.18)</u>
OTHER FINANCING SOURCES (USES)		
Transfer Out	2,717.38	2,717.38
Legislative Transfer In	2,822,546.00	2,822,546.00
Legislative Transfer Out	(8,502,154.21)	(8,502,154.21)
Total Other Financing Sources (Uses)	<u>(5,676,890.83)</u>	<u>(5,676,890.83)</u>
Net Change in Fund Balances	<u>(7,131,622.01)</u>	<u>(7,131,622.01)</u>
Fund Financial Statement - Fund Balances		
Fund Balances, September 1, 2011	10,106,865.98	10,106,865.98
Restatements	(143,391.88)	(143,391.88)
Fund Balances, September 1, 2011, as Restated	<u>9,963,474.10</u>	<u>9,963,474.10</u>
Appropriations Lapsed		
Fund Balances, August 31, 2012	<u>\$ 2,831,852.09</u>	<u>\$ 2,831,852.09</u>

* GAAP Fund is noted as (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, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Child Support Employee ded (0807), U/F(8070)*				
ASSETS				
Cash in State Treasury	\$ 500.00	\$ 5,000.00	\$ 5,500.00	\$ -
Total Assets	<u>\$ 500.00</u>	<u>\$ 5,000.00</u>	<u>\$ 5,500.00</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 5,000.00	\$ 5,000.00	\$ -
Funds Held for Others	500.00	4,500.00	5,000.00	-
Total Liabilities	<u>\$ 500.00</u>	<u>\$ 9,500.00</u>	<u>\$ 10,000.00</u>	<u>\$ -</u>
Overpayments to Employees Account (0900), U/F (9015)				
ASSETS				
Cash in State Treasury	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
Total Assets	<u>\$ -</u>	<u>\$ 1,096.55</u>	<u>\$ 756.03</u>	<u>\$ 340.52</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 1,096.55	\$ 756.03	\$ 340.52
Total Liabilities	<u>\$ -</u>	<u>\$ 1,096.55</u>	<u>\$ 756.03</u>	<u>\$ 340.52</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 500.00	\$ 6,096.55	\$ 6,256.03	\$ 340.52
Total Assets	<u>\$ 500.00</u>	<u>\$ 6,096.55</u>	<u>\$ 6,256.03</u>	<u>\$ 340.52</u>
LIABILITIES				
Funds Held for Others	\$ 500.00	\$ 5,596.55	\$ 5,756.03	\$ 340.52
Total Liabilities	<u>\$ 500.00</u>	<u>\$ 5,596.55</u>	<u>\$ 5,756.03</u>	<u>\$ 340.52</u>

* GAAP 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, 2012

	Governmental Fund Types			Governmental Funds Total
	General Funds (Exhibit A-1 300)	Special Revenue Funds (Exhibit B-1 300)	Debt Service Funds (Exhibit C-1 300)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash In Bank (Note 3)	\$ -	\$ 121,156.47	\$ -	\$ 121,156.47
Cash in State Treasury	472,465,668.33	35,414,596.33	535.71	507,880,800.37
Restricted Cash and Cash Equivalents:				
Cash in State Treasury	-	4,725,000.00	-	4,725,000.00
Legislative Appropriations				
Receivables from:	130,495,766.12	-	-	130,495,766.12
Federal	4,772,479.79	-	-	4,772,479.79
Interest and Dividends	1,381,090.87	28,693.37	0.03	1,409,784.27
Accounts Receivable	28,291.26	-	-	28,291.26
Due From Other Funds	55,412.98	-	-	55,412.98
Due From Other Agencies	12,417,488.26	61,535.07	-	12,479,023.33
Consumable Inventories	26,201.14	-	-	26,201.14
Prepaid Items	-	4,525.00	-	4,525.00
Loans and Contracts, net of allowance	1,280,000.00	1,421,669.76	-	2,701,669.76
Total Current Assets	<u>622,922,398.75</u>	<u>41,777,176.00</u>	<u>535.74</u>	<u>664,700,110.49</u>
Non-Current Assets:				
Loans and Contracts	385,104,103.00	4,946,417.78	-	390,050,520.78
Investments (Note 3)	184,823,567.54	-	-	184,823,567.54
Furniture and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Total Non-Current Assets	<u>569,927,670.54</u>	<u>4,946,417.78</u>	<u>-</u>	<u>574,874,088.32</u>
Total Assets	\$ 1,192,850,069.29	\$ 46,723,593.78	\$ 535.74	\$ 1,239,574,198.81
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts Payable	\$ 12,837,929.24	\$ 15,375.01	\$ -	\$ 12,853,304.25
Payroll	616,593.77	-	-	616,593.77
Due To Other Agencies	3,324,180.20	61,535.07	-	3,385,715.27
Deferred Revenue	48,846,982.76	-	-	48,846,982.76
General Obligation Bonds Payable (Note 5)	-	-	-	-
Employees' Compensable Leave (Note 5)	-	-	-	-
Total Current Liabilities	<u>65,625,685.97</u>	<u>76,910.08</u>	<u>-</u>	<u>65,702,596.05</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	65,625,685.97	76,910.08	-	65,702,596.05
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	26,201.14	4,525.00	-	30,726.14
Restricted	49,971,375.34	46,521,002.23	535.74	96,492,913.31
Committed	949,314,074.12	121,156.47	-	949,435,230.59
Assigned	-	-	-	-
Unassigned	127,912,732.72	-	-	127,912,732.72
Total Fund Balances	<u>1,127,224,383.32</u>	<u>46,646,683.70</u>	<u>535.74</u>	<u>1,173,871,602.76</u>
Total Liabilities and Fund Balances	\$ 1,192,850,069.29	\$ 46,723,593.78	\$ 535.74	\$ 1,239,574,198.81
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt				
Restricted For:				
Other				
Unrestricted				
Total Net Assets				

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$ -	\$ -	\$ 121,156.47
-	-	507,880,800.37
-	-	4,725,000.00
-	-	130,495,766.12
-	-	4,772,479.79
-	-	1,409,784.27
-	-	28,291.26
-	-	55,412.98
-	-	12,479,023.33
-	-	26,201.14
-	-	4,525.00
-	-	2,701,669.76
-	-	<u>664,700,110.49</u>
-	-	390,050,520.78
-	-	184,823,567.54
112,229.59	-	112,229.59
(110,701.55)	-	(110,701.55)
<u>1,528.04</u>	-	<u>574,875,616.36</u>
<u>\$ 1,528.04</u>	<u>\$ -</u>	<u>\$ 1,239,575,726.85</u>
\$ -	\$ -	\$ 12,853,304.25
-	-	616,593.77
-	-	3,385,715.27
-	-	48,846,982.76
-	1,280,000.00	1,280,000.00
-	447,920.35	447,920.35
-	<u>1,727,920.35</u>	<u>67,430,516.40</u>
-	92,400,000.00	92,400,000.00
-	353,641.01	353,641.01
-	<u>92,753,641.01</u>	<u>92,753,641.01</u>
-	94,481,561.36	160,184,157.41
-	-	30,726.14
-	-	96,492,913.31
-	-	949,435,230.59
-	-	-
-	-	<u>127,912,732.72</u>
-	-	<u>1,173,871,602.76</u>
1,528.04	-	1,528.04
-	(93,680,000.00)	(93,680,000.00)
-	(801,561.36)	(801,561.36)
<u>\$ 1,528.04</u>	<u>\$ (94,481,561.36)</u>	<u>\$ 1,079,391,569.44</u>

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, 2012**

	Governmental Fund Types			Governmental Funds Total
	General Funds (Exhibit A-2 300)	Special Revenue Funds (Exhibit B-2 300)	Debt Service Fund (Exhibit C-2 300)	
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ 61,159,842.00	\$ -	\$ -	\$ 61,159,842.00
Additional Appropriations	753,027.92	-	-	753,027.92
Federal Revenue	82,756,083.72	-	-	82,756,083.72
Federal Grant Pass-Through Revenue	393,849.12	-	-	393,849.12
License, Fees & Permits	26,466,068.77	-	-	26,466,068.77
Interest and Other Investment Income	4,644,330.23	543,612.76	1,320.19	5,189,263.18
Net Increase (Decrease) in Fair Value	6,967,620.16	-	-	6,967,620.16
Sales of Goods and Services	190,407.28	-	-	190,407.28
Other	92,598.64	385,509.29	-	478,107.93
Total Revenue	183,423,827.84	929,122.05	1,320.19	184,354,270.08
EXPENDITURES				
Salaries and Wages	5,999,596.68	-	-	5,999,596.68
Payroll Related Costs	1,469,089.43	-	-	1,469,089.43
Professional Fees and Services	6,956,920.17	25,895.16	-	6,982,815.33
Travel	403,914.46	-	-	403,914.46
Materials and Supplies	198,857.56	15,375.00	-	214,232.56
Communication and Utilities	241,831.06	-	-	241,831.06
Repairs and Maintenance	82,256.23	-	-	82,256.23
Rentals and Leases	306,840.52	-	-	306,840.52
Printing and Reproduction	14,003.70	463.34	-	14,467.04
Federal Grant Pass-Through Expenditures	12,308,011.66	-	-	12,308,011.66
State Grant Pass-Through Expenditures	25,752,697.58	-	-	25,752,697.58
Intergovernmental Payments	48,089,051.70	-	-	48,089,051.70
Public Assistance Payments	42,420,602.20	976,142.32	-	43,396,744.52
Other Expenditures	58,341,459.04	509,917.34	-	58,851,376.38
Debt Service:				
Principal	-	-	465,000.00	465,000.00
Interest	-	-	2,563,938.24	2,563,938.24
Depreciation Expense	-	-	-	-
Total Expenditures/Expenses	202,585,131.99	1,527,793.16	3,028,938.24	207,141,863.39
Excess (Deficiency) of Revenue over Expenditures	(19,161,304.15)	(598,671.11)	(3,027,618.05)	(22,787,593.31)
OTHER FINANCING SOURCES (USES)				
Transfer In	35,156,579.20	274,505.32	3,028,938.38	38,460,022.90
Transfer Out	(4,609,623.44)	(561,681.06)	(1,670.76)	(5,172,975.26)
Legislative Transfer In (Note 12)	8,502,154.21	-	-	8,502,154.21
Legislative Transfer Out (Note 12)	(2,922,546.00)	-	-	(2,922,546.00)
Lapses	-	-	-	-
Total Other Financing Sources (Uses)	36,126,563.97	(287,175.74)	3,027,267.62	38,866,655.85
Net Change in Fund Balances/Net Assets	16,965,259.82	(885,846.85)	(350.43)	16,079,062.54
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2011	1,114,626,105.24	47,751,427.17	886.17	1,162,378,418.58
Restatements (Note 14)	(4,366,981.74)	(218,896.62)	-	(4,585,878.36)
Fund Balances, September 1, 2011, as Restated	1,110,259,123.50	47,532,530.55	886.17	1,157,792,540.22
Appropriations Lapsed	-	-	-	-
Fund Balances, August 31, 2012	\$ 1,127,224,383.32	\$ 46,646,683.70	\$ 535.74	\$ 1,173,871,602.76
Government-Wide Statement of Net Assets				
Net Assets/Net Change in Net Assets				\$ 1,173,871,602.76
Net Assets, September 1, 2011				-
Restatements				-
Net Assets, September 1, 2011, as Restated				-
Net Assets, August 31, 2012				\$ 1,173,871,602.76

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

UNAUDITED

<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ 61,159,842.00
-	-	753,027.92
-	-	82,756,083.72
-	-	393,849.12
-	-	26,466,068.77
-	-	5,189,263.18
-	-	6,967,620.16
-	-	190,407.28
-	-	478,107.93
<u>-</u>	<u>-</u>	<u>184,354,270.08</u>
-	(55,148.56)	5,944,448.12
-	-	1,469,089.43
-	-	6,982,815.33
-	-	403,914.46
-	-	214,232.56
-	-	241,831.06
-	-	82,256.23
-	-	306,840.52
-	-	14,467.04
-	-	12,308,011.66
-	-	25,752,697.58
-	-	48,089,051.70
-	-	43,396,744.52
-	-	58,851,376.38
-	(465,000.00)	-
-	-	2,563,938.24
<u>964.80</u>	<u>-</u>	<u>964.80</u>
<u>964.80</u>	<u>(520,148.56)</u>	<u>206,622,679.63</u>
<u>(964.80)</u>	<u>520,148.56</u>	<u>(22,268,409.55)</u>
-	-	38,460,022.90
-	-	(5,172,975.26)
-	-	8,502,154.21
-	-	(2,922,546.00)
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>38,866,655.85</u>
		<u>16,598,246.30</u>
		1,162,378,418.58
		(4,585,878.36)
		<u>1,157,792,540.22</u>
		-
		<u>\$ 1,174,390,786.52</u>
<u>\$ (964.80)</u>	<u>\$ 520,148.56</u>	<u>\$ 1,174,390,786.52</u>
2,492.84	(95,001,709.92)	(94,999,217.08)
<u>2,492.84</u>	<u>(95,001,709.92)</u>	<u>(94,999,217.08)</u>
<u>\$ 1,528.04</u>	<u>\$ (94,481,561.36)</u>	<u>\$ 1,079,391,569.44</u>

UNAUDITED

Office of the Governor - Trusteed Programs (300)
 Exhibit III 300 - Combined Statement of Net Assets - Proprietary Funds
 For the Fiscal Year Ended August 31, 2012

	<u>Total Enterprise Funds</u> (Exhibit F-1 300)
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash In Bank (Note 3)	\$ 209,038.45
Cash in State Treasury	10,702,729.15
Restricted:	
Cash in State Treasury	500,000.00
Receivables from:	
Interest and Dividends	79,362.76
Other	52,087.01
Due From Other Agencies	61,535.07
Loans and Contracts	2,115,227.60
Total Current Assets	<u>13,719,980.04</u>
Non-Current Assets:	
Loans and Contracts	21,645,318.16
Total Non-Current Assets	<u>21,645,318.16</u>
Total Assets	<u>\$ 35,365,298.20</u>
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 58,238.77
Payroll	43,183.95
Due To Other Agencies	61,535.07
Employees' Compensable Leave (Note 5)	32,480.46
Total Current Liabilities	<u>195,438.25</u>
Non-Current Liabilities:	
Notes and Loans Payable (Note 5)	25,000,000.00
Employees' Compensable Leave (Note 5)	12,096.07
Total Non-Current Liabilities	<u>25,012,096.07</u>
Total Liabilities	<u>25,207,534.32</u>
Net Assets	
Restricted For:	
Other	500,000.00
Unrestricted	9,657,763.88
Total Net Assets	<u>\$ 10,157,763.88</u>

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

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit IV 300 - Combined Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Fiscal Year Ended August 31, 2012

	Total Enterprise Funds (Exhibit F-2 300)
Operating Revenue	
Interest and Investment Income	\$ 725,605.90
Other Operating Revenue	324,336.72
Total Operating Revenue	1,049,942.62
Operating Expenses:	
Salaries and Wages	382,560.19
Payroll Related Costs	98,620.97
Professional Fees and Services	56,102.30
Travel	16,923.87
Materials and Supplies	2,451.32
Communication and Utilities	36,029.77
Repairs and Maintenance	57.35
Rentals and Leases	1,895.45
Printing and Reproduction	178.22
Interest	43,572.23
Other Operating Expenses	276,898.39
Total Operating Expenses	915,290.06
Operating Income (Loss)	134,652.56
Nonoperating Revenue (Expenses)	
Gifts, Pledges and Donations	390.00
Investment Income (Expense)	35,507.10
Total Other Nonoperating Revenue (Expenses)	35,897.10
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	170,549.66
Other Revenue, Expenses, Gains/Losses, and Transfers	
Transfer In	1,238,008.24
Transfer Out	(213,247.18)
Total Other Revenue, Expenses, Gains/Losses, and Transfers	1,024,761.06
Change in Net Assets	1,195,310.72
Total Net Assets, September 1, 2011	8,939,197.74
Restatements (Note 14)	23,255.42
Total Net Assets, September 1, 2011, as Restated	8,962,453.16
Total Net Assets, August 31, 2012	\$ 10,157,763.88

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

UNAUDITED

Office of the Governor - Trusteed Programs (300)
Exhibit V 300 - Combined Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended August 31, 2012

	Total Enterprise Funds (Exhibit F-3 300)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Other Revenue	\$ 324,336.72
Payments to Employees for Salaries	(476,950.94)
Payments for Other Expenses	(432,982.52)
Net Cash Provided by Operating Activities	(585,596.74)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	5,000,000.00
Proceeds of Transfers from Other Funds	1,238,008.24
Payments of Interest	(41,922.23)
Payments of Other Costs of Debt Issuance	(4,240.00)
Payments for Transfers to Other Funds	(213,247.18)
Net Cash Provided by Noncapital Financing Activities	5,978,598.83
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	741,028.85
Proceeds from Principal Payments on Loans	3,335,971.94
Payments to Bank Loan Reserve	(7,396,475.00)
Net Cash Provided by Investing Activities	(3,319,474.21)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,073,527.88
Cash and Cash Equivalents, September 1, 2011	9,336,848.50
Restatement to Beginning Cash & Cash Equivalents	1,391.22
Cash and Cash Equivalents, September 1, 2011 as Restated	9,338,239.72
Cash and Cash Equivalents, August 31, 2012	\$ 11,411,767.60
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 134,652.56
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories: Classification Differences	(667,729.94)
Changes in Assets and Liabilities: Increase (Decrease) in Payables	(45,519.44)
Increase (Decrease) in Compensated Absence Liabilities	(6,999.92)
Total Adjustments	(720,249.30)
Net Cash Provided by Operating Activities	\$ (585,596.74)

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

This page intentionally left blank.

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, 2012**

	Totals (Exhibit K-1 300)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash In Bank (Note 3)	\$ 1,970,724.67
Cash Equivalents (Note 3)	10,223,110.18
Restricted Cash and Cash Equivalents:	
Cash Equivalents (Note 3)	2,000,000.00
Short Term Investments (Note 3)	20,000.00
Receivables from:	
Other Governmental	7,339.00
Interest and Dividends	22,539.54
Accounts Receivable	9,750.00
Prepaid Items	213,227.93
Loans and Contracts	775,790.04
Other Current Assets	8,394.00
Total Current Assets	15,250,875.36
Non-Current Assets:	
Loans and Contracts	9,876,479.29
Capital Assets (Note 2):	
Depreciable and Amortizable, Net	23,685.13
Total Non-Current Assets	9,900,164.42
Total Assets	\$ 25,151,039.78
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 164,113.39
Other	2,890.12
Deferred Revenues	1,109,779.00
Total Current Liabilities	1,276,782.51
Non-Current Liabilities	
Revenue Bonds Payable (Note 5)	20,000,000.00
Total Non-Current Liabilities	20,000,000.00
Total Liabilities	21,276,782.51
Net Assets	
Unrestricted	3,874,257.27
Total Net Assets	\$ 3,874,257.27

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

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, 2012

	Totals (Exhibit K-2 300)
Operating Revenue:	
Sales of Goods and Services	\$ 582,775.00
Interest and Investment Income	460,813.27
Other Grants and Contributions	1,299,425.48
Other Operating Revenue	179,005.66
Total Operating Revenue	2,522,019.41
Operating Expenses:	
Salaries and Wages	272,810.00
Payroll Related Costs	38,322.00
Professional Fees and Services	671,706.10
Travel	277,503.49
Materials and Supplies	255,246.39
Communication and Utilities	25,769.58
Rentals and Leases	92,714.82
Printing and Reproduction	22,914.10
Depreciation and Amortization	9,089.20
Interest	66,500.61
Grants to Community Service Programs	64,923.43
Other Operating Expenses	969,001.94
Total Operating Expenses	2,766,501.66
Operating Income (Loss)	<u>(244,482.25)</u>
Nonoperating Revenue (Expenses)	
Investment Income (Expense)	4,516.20
Other Nonoperating Revenues (Expenses)	42.00
Total Other Nonoperating Revenue (Expenses)	4,558.20
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>(239,924.05)</u>
Change in Net Assets	<u>(239,924.05)</u>
Total Net Assets, September 1, 2011	5,104,383.36
Restatements (Note 14)	(990,202.04)
Total Net Assets, September 1, 2011, as Restated	4,114,181.32
Total Net Assets, August 31, 2012	\$ 3,874,257.27

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

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit A-1 300 - Combining Balance Sheet - All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2012

	Consolidated Accounts		
	General Revenue Fund (0001)*	Operators & Chauffeurs License (0099)*	Governor's Office Federal Projects (0224)*
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 1,280,612.78	\$ -	\$ 49,972,097.31
Legislative Appropriations	130,495,766.12	-	-
Receivables from:			
Federal	-	-	-
Interest and Dividends	485.05	-	18,362.93
Accounts Receivable	28,291.26	-	-
Due From Other Funds	-	-	-
Due From Other Agencies	178,669.22	4,605,785.62	-
Consumable Inventories	20,837.09	-	-
Loans and Contracts, net of allowance	-	-	-
Total Current Assets	<u>132,004,661.52</u>	<u>4,605,785.62</u>	<u>49,990,460.24</u>
Non-Current Assets:			
Loans and Contracts	-	-	-
Investments	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 132,004,661.52</u>	<u>\$ 4,605,785.62</u>	<u>\$ 49,990,460.24</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 2,504,926.55	\$ 118,806.33	\$ 1,496,447.42
Payroll	345,818.05	-	11,933.77
Due To Other Agencies	454,162.55	64,363.61	401,280.85
Deferred Revenue	766,184.56	-	48,080,798.20
Total Current Liabilities	<u>4,071,091.71</u>	<u>183,169.94</u>	<u>49,990,460.24</u>
Total Liabilities	<u>4,071,091.71</u>	<u>183,169.94</u>	<u>49,990,460.24</u>
Fund Financial Statement			
Fund Balances (Deficits):			
Nonspendable	20,837.09	-	-
Restricted	-	-	-
Committed	-	4,422,615.68	-
Assigned	-	-	-
Unassigned	127,912,732.72	-	-
Total Fund Balances	<u>127,933,569.81</u>	<u>4,422,615.68</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 132,004,661.52</u>	<u>\$ 4,605,785.62</u>	<u>\$ 49,990,460.24</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts				
Criminal Justice Planning (0421)*	Rural Economic Development (0425)*	Hotel Occupancy Tax for Economic Development (5003)*	Crime Stoppers Assistance (5012)*	Tourism Plates (5053)*
\$ 55,897,504.67	\$ 396,675.92	\$ 15,975,678.25	\$ 642,841.38	\$ 129,390.08
-	-	-	-	-
4,772,479.79	-	-	-	-
-	144.95	-	-	-
-	-	-	-	-
-	-	55,412.98	-	-
-	-	3,213,862.52	-	-
1,556.18	-	3,807.87	-	-
-	-	-	-	-
<u>60,671,540.64</u>	<u>396,820.87</u>	<u>19,248,761.62</u>	<u>642,841.38</u>	<u>129,390.08</u>
-	-	-	-	-
-	-	-	-	-
<u>\$ 60,671,540.64</u>	<u>\$ 396,820.87</u>	<u>\$ 19,248,761.62</u>	<u>\$ 642,841.38</u>	<u>\$ 129,390.08</u>
\$ 5,717,102.36	\$ -	\$ 2,919,290.84	\$ 53,900.80	\$ -
124,681.02	-	93,656.84	-	-
2,401,790.24	-	-	2,582.95	-
-	-	-	-	-
<u>8,243,573.62</u>	<u>-</u>	<u>3,012,947.68</u>	<u>56,483.75</u>	<u>-</u>
8,243,573.62	-	3,012,947.68	56,483.75	-
1,556.18	-	3,807.87	-	-
-	-	-	-	-
52,426,410.84	396,820.87	16,232,006.07	586,357.63	129,390.08
-	-	-	-	-
-	-	-	-	-
<u>52,427,967.02</u>	<u>396,820.87</u>	<u>16,235,813.94</u>	<u>586,357.63</u>	<u>129,390.08</u>
<u>\$ 60,671,540.64</u>	<u>\$ 396,820.87</u>	<u>\$ 19,248,761.62</u>	<u>\$ 642,841.38</u>	<u>\$ 129,390.08</u>

UNAUDITED

Office of the Governor - Trusteed Programs (300)

Exhibit A-1 300 - Combining Balance Sheet - All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2012

	Consolidated Accounts			
	Texas Enterprise (5107)*	Economic Development and Tourism (5110)*	Texas Music Foundation Plates (5113)*	Texas Military Value Revolving Loan (5114)*
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
Cash in State Treasury	\$ 230,905,236.88	\$ 70,874.79	\$ 7,117.77	\$ 57,622.95
Legislative Appropriations	-	-	-	-
Receivables from:				
Federal	-	-	-	-
Interest and Dividends	84,915.17	-	-	-
Accounts Receivable	-	-	-	1,233,752.39
Due From Other Funds	-	-	-	-
Due From Other Agencies	-	-	-	-
Consumable Inventories	-	-	-	-
Loans and Contracts, net of allowance	-	-	-	1,280,000.00
Total Current Assets	<u>230,990,152.05</u>	<u>70,874.79</u>	<u>7,117.77</u>	<u>2,571,375.34</u>
Non-Current Assets:				
Loans and Contracts	335,954,103.00	-	-	47,400,000.00
Investments	-	-	-	-
Total Non-Current Assets	<u>335,954,103.00</u>	<u>-</u>	<u>-</u>	<u>47,400,000.00</u>
Total Assets	<u>\$ 566,944,255.05</u>	<u>\$ 70,874.79</u>	<u>\$ 7,117.77</u>	<u>\$ 49,971,375.34</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ -	\$ 864.92	\$ -	\$ -
Payroll	-	-	-	-
Due To Other Agencies	-	-	-	-
Deferred Revenue	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>864.92</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>864.92</u>	<u>-</u>	<u>-</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	-	-	-	-
Restricted	-	-	-	49,971,375.34
Committed	566,944,255.05	70,009.87	7,117.77	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>566,944,255.05</u>	<u>70,009.87</u>	<u>7,117.77</u>	<u>49,971,375.34</u>
Total Liabilities and Fund Balances	<u>\$ 566,944,255.05</u>	<u>\$ 70,874.79</u>	<u>\$ 7,117.77</u>	<u>\$ 49,971,375.34</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts

Daughters of the Republic of Texas (5115)*	Emerging Technology (5124)*	BP Oil Spill Tx Response Grant (5149)*	Total (Exhibit I -300)
\$ 19,621.80	\$ 112,045,519.71	\$ 5,064,874.04	\$ 472,465,668.33
-	-	-	130,495,766.12
-	-	-	4,772,479.79
-	41,580.22	1,850.16	1,381,090.87
-	-	-	28,291.26
-	-	-	55,412.98
-	4,419,170.90	-	12,417,488.26
-	-	-	26,201.14
-	-	-	1,280,000.00
<u>19,621.80</u>	<u>116,506,270.83</u>	<u>5,066,724.20</u>	<u>622,922,398.75</u>
-	1,750,000.00	-	385,104,103.00
-	184,823,567.54	-	184,823,567.54
-	186,573,567.54	-	569,927,670.54
<u>\$ 19,621.80</u>	<u>\$ 303,079,838.37</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,192,850,069.29</u>
\$ 19,621.80	\$ 6,968.22	\$ -	\$ 12,837,929.24
-	40,504.09	-	616,593.77
-	-	-	3,324,180.20
-	-	-	48,846,982.76
<u>19,621.80</u>	<u>47,472.31</u>	<u>-</u>	<u>65,625,685.97</u>
19,621.80	47,472.31	-	65,625,685.97
-	-	-	26,201.14
-	-	-	49,971,375.34
-	303,032,366.06	5,066,724.20	949,314,074.12
-	-	-	-
-	-	-	127,912,732.72
-	303,032,366.06	5,066,724.20	1,127,224,383.32
<u>\$ 19,621.80</u>	<u>\$ 303,079,838.37</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,192,850,069.29</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, 2012

	<u>Consolidated Accounts</u>		
	<u>General Revenue Fund 0001 (0001)*</u>	<u>Operators & Chauffeurs License (0099)*</u>	<u>Governor's Office Federal Projects (0224)*</u>
REVENUE			
Legislative Appropriations			
Original Appropriations	\$ 61,159,842.00	\$ -	\$ -
Additional Appropriations	753,027.92	-	-
Federal Revenue	13,085,552.56	-	20,624,172.81
Federal Grant Pass-Through Revenue	393,849.12	-	-
License, Fees & Permits	2,408,084.79	-	-
Interest and Other Investment Income	48.88	-	-
Net Increase (Decrease) in Fair Value	-	-	-
Sales of Goods and Services	190,407.28	-	-
Other	76,921.59	-	-
Total Revenue	<u>78,067,734.14</u>	<u>-</u>	<u>20,624,172.81</u>
EXPENDITURES			
Salaries and Wages	3,389,276.58	-	86,388.89
Payroll Related Costs	813,607.56	-	13,055.58
Professional Fees and Services	685,808.53	-	294,325.71
Travel	313,557.52	-	3,709.25
Materials and Supplies	53,077.82	-	2,141.42
Communication and Utilities	197,397.13	-	3,665.88
Repairs and Maintenance	64,494.57	-	-
Rentals and Leases	208,776.45	-	5,582.18
Printing and Reproduction	12,114.56	-	27.91
Federal Grant Pass-Through Expenditures	7,834,689.33	-	2,759,089.02
State Grant Pass-Through Expenditures	6,344,377.79	2,115,454.21	-
Intergovernmental Payments	8,037,219.51	4,079,772.01	16,357,524.73
Public Assistance Payments	337,821.96	-	1,035,411.01
Other Expenditures	23,979,211.74	-	63,251.23
Total Expenditures	<u>52,271,431.05</u>	<u>6,195,226.22</u>	<u>20,624,172.81</u>
Excess (Deficiency) of Revenue over Expenditures	<u>25,796,303.09</u>	<u>(6,195,226.22)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	(2,717.38)	1,708,682.42	-
Transfer Out	(1,667,860.80)	-	-
Legislative Transfer In	8,502,154.21	-	-
Legislative Transfer Out	(2,922,546.00)	-	-
Lapses	-	-	-
Total Other Financing Sources (Uses)	<u>3,909,030.03</u>	<u>1,708,682.42</u>	<u>-</u>
Net Change in Fund Balances	<u>29,705,333.12</u>	<u>(4,486,543.80)</u>	<u>-</u>
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2011	99,847,975.35	-	8,375,758.97
Restatements	(1,619,738.66)	8,909,159.48	(8,375,758.97)
Fund Balances, September 1, 2011, as Restated	<u>98,228,236.69</u>	<u>8,909,159.48</u>	<u>-</u>
Appropriations Lapsed	-	-	-
Fund Balances, August 31, 2012	<u>\$ 127,933,569.81</u>	<u>\$ 4,422,615.68</u>	<u>\$ -</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts				
Criminal Justice Planning (0421)*	Rural Economic Development (0425)*	Hotel Occupancy Tax for Economic Development (5003)*	Crime Stoppers Assistance (5012)*	Tourism Plates (5053)*
\$ -	\$ -	\$ -	\$ -	\$ -
49,046,358.35	-	-	-	-
23,460,410.82	2,191.90	-	480,253.78	21,066.48
6,543.57	-	2,187.88	-	-
<u>72,513,312.74</u>	<u>2,191.90</u>	<u>2,187.88</u>	<u>480,253.78</u>	<u>21,066.48</u>
1,143,518.44	-	991,612.56	-	-
293,606.11	-	240,208.68	-	-
2,066,461.84	-	3,626,430.50	257,874.54	-
53,890.83	-	13,957.58	-	-
4,165.25	-	128,316.80	-	-
9,618.13	-	26,448.37	-	-
-	-	17,752.84	-	-
14,474.28	-	70,810.23	-	-
100.55	-	177.17	-	-
1,714,233.31	-	-	-	-
3,781,007.21	-	-	11,898.96	-
19,614,535.45	-	-	-	-
37,592,325.68	-	-	339,685.46	-
220,701.69	-	25,468,812.68	-	-
<u>66,508,638.77</u>	<u>-</u>	<u>30,584,527.41</u>	<u>609,458.96</u>	<u>-</u>
<u>6,004,673.97</u>	<u>2,191.90</u>	<u>(30,582,339.53)</u>	<u>(129,205.18)</u>	<u>21,066.48</u>
-	-	33,448,943.40	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	33,448,943.40	-	-
<u>6,004,673.97</u>	<u>2,191.90</u>	<u>2,866,603.87</u>	<u>(129,205.18)</u>	<u>21,066.48</u>
45,823,794.96	394,628.97	13,369,210.07	715,562.81	108,323.60
599,498.09	-	-	-	-
<u>46,423,293.05</u>	<u>394,628.97</u>	<u>13,369,210.07</u>	<u>715,562.81</u>	<u>108,323.60</u>
-	-	-	-	-
<u>\$ 52,427,967.02</u>	<u>\$ 396,820.87</u>	<u>\$ 16,235,813.94</u>	<u>\$ 586,357.63</u>	<u>\$ 129,390.08</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, 2012

	Consolidated Accounts			
	Texas Enterprise (5107)*	Economic Development and Tourism (5110)*	Texas Music Foundation Plates (5113)*	Texas Military Value Revolving Loan (5114)*
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ -	\$ -	\$ -	\$ -
Additional Appropriations	-	-	-	-
Federal Revenue	-	-	-	-
Federal Grant Pass-Through Revenue	-	-	-	-
License, Fees & Permits	-	7,468.83	9,889.62	-
Interest and Other Investment Income	1,352,199.99	-	-	-
Net Increase (Decrease) in Fair Value	-	-	-	2,466,325.92
Sales of Goods and Services	-	-	-	-
Other	-	516.20	-	-
Total Revenue	<u>1,352,199.99</u>	<u>7,985.03</u>	<u>9,889.62</u>	<u>2,466,325.92</u>
EXPENDITURES				
Salaries and Wages	-	-	-	-
Payroll Related Costs	-	-	-	-
Professional Fees and Services	-	-	-	-
Travel	-	8,806.65	-	-
Materials and Supplies	-	169.00	-	-
Communication and Utilities	-	-	-	-
Repairs and Maintenance	-	-	-	-
Rentals and Leases	-	-	-	-
Printing and Reproduction	-	44.85	-	-
Federal Grant Pass-Through Expenditures	-	-	-	-
State Grant Pass-Through Expenditures	-	-	-	-
Intergovernmental Payments	-	-	-	-
Public Assistance Payments	-	-	13,170.73	-
Other Expenditures	2,500,000.00	135.00	-	-
Total Expenditures	<u>2,500,000.00</u>	<u>9,155.50</u>	<u>13,170.73</u>	<u>-</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(1,147,800.01)</u>	<u>(1,170.47)</u>	<u>(3,281.11)</u>	<u>2,466,325.92</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	1,670.76
Transfer Out	-	-	-	(2,941,762.64)
Legislative Transfer In	-	-	-	-
Legislative Transfer Out	-	-	-	-
Lapses	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,940,091.88)</u>
Net Change in Fund Balances	<u>(1,147,800.01)</u>	<u>(1,170.47)</u>	<u>(3,281.11)</u>	<u>(473,765.96)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2011	573,215,228.06	71,180.34	10,398.88	49,202,109.98
Restatements	(5,123,173.00)	-	-	1,243,031.32
Fund Balances, September 1, 2011, as Restated	<u>568,092,055.06</u>	<u>71,180.34</u>	<u>10,398.88</u>	<u>50,445,141.30</u>
Appropriations Lapsed	-	-	-	-
Fund Balances, August 31, 2012	<u>\$ 566,944,255.05</u>	<u>\$ 70,009.87</u>	<u>\$ 7,117.77</u>	<u>\$ 49,971,375.34</u>

* GAAP Fund is noted as (XXXX)

UNAUDITED

Consolidated Accounts			
Daughters of the Republic of Texas (5115)*	Emerging Technology (5124)*	BP Oil Spill Tx Response Grant (5149)*	Total (Exhibit II 300)
\$ -	\$ -	\$ -	\$ 61,159,842.00
-	-	-	753,027.92
-	-	-	82,756,083.72
-	-	-	393,849.12
78,894.45	-	-	26,466,068.77
-	795,577.46	27,986.08	4,644,330.23
-	6,967,620.16	-	6,967,620.16
-	-	-	190,407.28
-	6,429.40	-	92,598.64
<u>78,894.45</u>	<u>7,769,627.02</u>	<u>27,986.08</u>	<u>183,423,827.84</u>
-	388,800.21	-	5,999,596.68
-	108,611.50	-	1,469,089.43
-	26,019.05	-	6,956,920.17
-	9,992.63	-	403,914.46
-	10,987.27	-	198,857.56
-	4,701.55	-	241,831.06
-	8.82	-	82,256.23
-	7,197.38	-	306,840.52
-	1,538.66	-	14,003.70
-	-	-	12,308,011.66
-	13,499,959.41	-	25,752,697.58
-	-	-	48,089,051.70
78,894.45	3,023,292.91	-	42,420,602.20
-	6,109,346.70	-	58,341,459.04
<u>78,894.45</u>	<u>23,190,456.09</u>	<u>-</u>	<u>202,585,131.99</u>
-	(15,420,829.07)	27,986.08	(19,161,304.15)
-	-	-	35,156,579.20
-	-	-	(4,609,623.44)
-	-	-	8,502,154.21
-	-	-	(2,922,546.00)
-	-	-	-
-	-	-	36,126,563.97
-	(15,420,829.07)	27,986.08	16,965,259.82
-	318,453,195.13	5,038,738.12	1,114,626,105.24
-	-	-	(4,366,981.74)
-	<u>318,453,195.13</u>	<u>5,038,738.12</u>	<u>1,110,259,123.50</u>
-	-	-	-
<u>\$ -</u>	<u>\$ 303,032,366.06</u>	<u>\$ 5,066,724.20</u>	<u>\$ 1,127,224,383.32</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, 2012**

	Small Business Incubator Fund (0588)* U/F (5881)	Texas Product Development Fund (0589)* U/F (5891)	Blended Component Units (9999)* U/F (7010)	Total (Exhibit I 300)
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash In Bank	\$ -	\$ -	\$ 121,156.47	\$ 121,156.47
Cash in State Treasury	17,268,470.24	18,146,126.09	-	35,414,596.33
Restricted Cash and Cash Equivalents:				
Cash in State Treasury	2,100,000.00	2,625,000.00	-	4,725,000.00
Receivables from:				
Interest and Dividends	9,470.28	19,223.09	-	28,693.37
Due From Other Agencies	61,535.07	-	-	61,535.07
Prepaid Items	2,040.28	2,484.72	-	4,525.00
Loans and Contracts, net of allowance	210,000.00	1,211,669.76	-	1,421,669.76
Total Current Assets	<u>19,651,515.87</u>	<u>22,004,503.66</u>	<u>121,156.47</u>	<u>41,777,176.00</u>
Non-Current Assets:				
Loans and Contracts	1,102,500.03	3,843,917.75	-	4,946,417.78
Total Non-Current Assets	<u>1,102,500.03</u>	<u>3,843,917.75</u>	<u>-</u>	<u>4,946,417.78</u>
Total Assets	<u><u>\$ 20,754,015.90</u></u>	<u><u>\$ 25,848,421.41</u></u>	<u><u>\$ 121,156.47</u></u>	<u><u>\$ 46,723,593.78</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 6,833.34	\$ 8,541.67	-	\$ 15,375.01
Due to Other Agencies	-	61,535.07	-	61,535.07
Total Current Liabilities	<u>6,833.34</u>	<u>70,076.74</u>	<u>-</u>	<u>76,910.08</u>
Total Liabilities	<u>6,833.34</u>	<u>70,076.74</u>	<u>-</u>	<u>76,910.08</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	2,040.28	2,484.72	-	4,525.00
Restricted	20,745,142.28	25,775,859.95	-	46,521,002.23
Committed	-	-	121,156.47	121,156.47
Total Fund Balances	<u>20,747,182.56</u>	<u>25,778,344.67</u>	<u>121,156.47</u>	<u>46,646,683.70</u>
Total Liabilities and Fund Balances	<u><u>\$ 20,754,015.90</u></u>	<u><u>\$ 25,848,421.41</u></u>	<u><u>\$ 121,156.47</u></u>	<u><u>\$ 46,723,593.78</u></u>

* GAAP 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, 2012

	Small Business Incubator Fund (0588)* U/F (5881)	Texas Product Development Fund (0589)* U/F (5891)	Blended Component Units (9999)* U/F (7010)	Totals (Exhibit II 300)
REVENUE				
Interest and Other Investment Income	\$ 161,257.11	\$ 381,604.76	\$ 750.89	\$ 543,612.76
Other	-	-	385,509.29	385,509.29
Total Revenue	<u>161,257.11</u>	<u>381,604.76</u>	<u>386,260.18</u>	<u>929,122.05</u>
EXPENDITURES				
Professional Fees and Services	10,669.90	13,323.35	1,901.91	25,895.16
Materials and Supplies	-	-	15,375.00	15,375.00
Printing and Reproduction	-	-	463.34	463.34
Public Assistance Payments	-	-	976,142.32	976,142.32
Other Expenditures	22,161.79	487,755.55	-	509,917.34
Total Expenditures	<u>32,831.69</u>	<u>501,078.90</u>	<u>993,882.57</u>	<u>1,527,793.16</u>
Excess (Deficiency) of Revenue over Expenditures	<u>128,425.42</u>	<u>(119,474.14)</u>	<u>(607,622.39)</u>	<u>(598,671.11)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	166,355.93	108,149.39	-	274,505.32
Transfer Out	(243,565.62)	(318,115.44)	-	(561,681.06)
Total Other Financing Sources (Uses)	<u>(77,209.69)</u>	<u>(209,966.05)</u>	<u>-</u>	<u>(287,175.74)</u>
Net Change in Fund Balances	<u>51,215.73</u>	<u>(329,440.19)</u>	<u>(607,622.39)</u>	<u>(885,846.85)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2011	20,695,966.83	26,107,784.86	947,675.48	47,751,427.17
Restatements	-	-	(218,896.62)	(218,896.62)
Fund Balances - September 1, 2011, as Restated	<u>20,695,966.83</u>	<u>26,107,784.86</u>	<u>728,778.86</u>	<u>47,532,530.55</u>
Appropriations Lapsed	-	-	-	-
Fund Balances, August 31, 2012	<u>\$ 20,747,182.56</u>	<u>\$ 25,778,344.67</u>	<u>\$ 121,156.47</u>	<u>\$ 46,646,683.70</u>

* GAAP 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, 2012

	Small Business Incubator Fund (0588)* U/F (5882)	Texas Product Development Fund (0589)* U/F (5892)	Texas Military Value Revolving Loan (7022)* U/F (7221)
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ -	\$ -	\$ 90.33
Interest and Dividends	-	-	-
Total Current Assets	<u>-</u>	<u>-</u>	<u>90.33</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90.33</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Financial Statement			
Fund Balances (Deficits):			
Restricted	-	-	90.33
Total Fund Balances	<u>-</u>	<u>-</u>	<u>90.33</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90.33</u>

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

UNAUDITED

Texas Military Value Revolving Loan (7026)* U/F (7262)	Texas Military Value Revolving Loan (7027)* U/F (7273)	Total (Exhibit I 300)
\$ 98.09	\$ 347.29	\$ 535.71
-	0.03	0.03
<u>98.09</u>	<u>347.32</u>	<u>535.74</u>
<u>\$ 98.09</u>	<u>\$ 347.32</u>	<u>\$ 535.74</u>
-	-	-
-	-	-
-	-	-
98.09	347.32	535.74
<u>98.09</u>	<u>347.32</u>	<u>535.74</u>
<u>\$ 98.09</u>	<u>\$ 347.32</u>	<u>\$ 535.74</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, 2012

	Small Business Incubator Fund (0588)* U/F (5882)	Texas Product Development Fund (0589)* U/F (5892)	Texas Military Value Revolving Loan (7022)* U/F (7221)
REVENUE			
Interest and Other Investment Income	\$ -	\$ -	\$ 403.30
Total Revenue	<u>-</u>	<u>-</u>	<u>403.30</u>
EXPENDITURES			
Debt Service:			
Principal	-	-	465,000.00
Interest	38,744.76	48,430.98	424,312.50
Total Expenditures	<u>38,744.76</u>	<u>48,430.98</u>	<u>889,312.50</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(38,744.76)</u>	<u>(48,430.98)</u>	<u>(888,909.20)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	38,744.76	48,430.98	889,312.56
Transfer Out	-	-	(467.41)
Total Other Financing Sources (Uses)	<u>38,744.76</u>	<u>48,430.98</u>	<u>888,845.15</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(64.05)</u>
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2011	-	-	154.38
Restatements	-	-	-
Fund Balances, September 1, 2011, as Restated	<u>-</u>	<u>-</u>	<u>154.38</u>
Appropriations Lapsed	-	-	-
Fund Balances, August 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90.33</u>

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

UNAUDITED

Texas Military Value Revolving Loan (7026)* U/F (7262)	Texas Military Value Revolving Loan (7027)* U/F (7273)	Totals (Exhibit II 300)
\$ 201.77	\$ 715.12	\$ 1,320.19
<u>201.77</u>	<u>715.12</u>	<u>1,320.19</u>
-	-	465,000.00
452,600.00	1,599,850.00	2,563,938.24
<u>452,600.00</u>	<u>1,599,850.00</u>	<u>3,028,938.24</u>
<u>(452,398.23)</u>	<u>(1,599,134.88)</u>	<u>(3,027,618.05)</u>
452,600.08	1,599,850.00	3,028,938.38
(264.87)	(938.48)	(1,670.76)
<u>452,335.21</u>	<u>1,598,911.52</u>	<u>3,027,267.62</u>
<u>(63.02)</u>	<u>(223.36)</u>	<u>(350.43)</u>
161.11	570.68	886.17
-	-	-
<u>161.11</u>	<u>570.68</u>	<u>886.17</u>
-	-	-
<u>\$ 98.09</u>	<u>\$ 347.32</u>	<u>\$ 535.74</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, 2012

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Exhibit III 300)
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in Bank	\$ -	\$ 209,038.45	\$ 209,038.45
Cash in State Treasury	10,702,729.15	-	10,702,729.15
Restricted:			
Cash in State Treasury	500,000.00	-	500,000.00
Receivables from:			
Interest and Dividends	79,362.76	-	79,362.76
Other	52,087.01	-	52,087.01
Due From Other Agencies	61,535.07	-	61,535.07
Loans and Contracts	2,115,227.60	-	2,115,227.60
Total Current Assets	<u>13,510,941.59</u>	<u>209,038.45</u>	<u>13,719,980.04</u>
Non-Current Assets:			
Loans and Contracts	21,645,318.16	-	21,645,318.16
Total Non-Current Assets	<u>21,645,318.16</u>	<u>-</u>	<u>21,645,318.16</u>
Total Assets	<u>\$ 35,156,259.75</u>	<u>\$ 209,038.45</u>	<u>\$ 35,365,298.20</u>
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts	\$ 58,238.77	\$ -	\$ 58,238.77
Payroll	43,183.95	-	43,183.95
Due To Other Agencies	61,535.07	-	61,535.07
Employees' Compensable Leave	32,480.46	-	32,480.46
Total Current Liabilities	<u>195,438.25</u>	<u>-</u>	<u>195,438.25</u>
Non-Current Liabilities:			
Notes and Loans Payable (Note 5)	25,000,000.00	-	25,000,000.00
Employees' Compensable Leave	12,096.07	-	12,096.07
Total Non-Current Liabilities	<u>25,012,096.07</u>	<u>-</u>	<u>25,012,096.07</u>
Total Liabilities	<u>25,207,534.32</u>	<u>-</u>	<u>25,207,534.32</u>
Net Assets			
Restricted For:			
Other	500,000.00	-	500,000.00
Unrestricted	9,448,725.43	209,038.45	9,657,763.88
Total Net Assets	<u>\$ 9,948,725.43</u>	<u>\$ 209,038.45</u>	<u>\$ 10,157,763.88</u>

* GAAP 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, 2012

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Exhibit IV 300)
Operating Revenue			
Interest and Investment Income	\$ 725,605.90	\$ -	\$ 725,605.90
Other Operating Revenue	324,336.72	-	324,336.72
Total Operating Revenue	<u>1,049,942.62</u>	<u>-</u>	<u>1,049,942.62</u>
Operating Expenses:			
Salaries and Wages	382,560.19	-	382,560.19
Payroll Related Costs	98,620.97	-	98,620.97
Professional Fees and Services	56,102.30	-	56,102.30
Travel	16,923.87	-	16,923.87
Materials and Supplies	2,451.32	-	2,451.32
Communication and Utilities	36,029.77	-	36,029.77
Repairs and Maintenance	57.35	-	57.35
Rentals and Leases	1,895.45	-	1,895.45
Printing and Reproduction	178.22	-	178.22
Interest	43,572.23	-	43,572.23
Other Operating Expenses	276,898.39	-	276,898.39
Total Operating Expenses	<u>915,290.06</u>	<u>-</u>	<u>915,290.06</u>
Operating Income (Loss)	<u>134,652.56</u>	<u>-</u>	<u>134,652.56</u>
Nonoperating Revenue (Expenses)			
Gifts, Pledges and Donations	390.00	-	390.00
Investment Income (Expense)	35,001.11	505.99	35,507.10
Total Other Nonoperating Revenue (Expenses)	<u>35,391.11</u>	<u>505.99</u>	<u>35,897.10</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>170,043.67</u>	<u>505.99</u>	<u>170,549.66</u>
Other Revenue, Expenses, Gains/Losses, and Transfers			
Transfer In	1,238,008.24	-	1,238,008.24
Transfer Out	(212,970.25)	(276.93)	(213,247.18)
Total Other Revenue, Expenses, Gains/Losses, and Transfers	<u>1,025,037.99</u>	<u>(276.93)</u>	<u>1,024,761.06</u>
Change in Net Assets	<u>1,195,081.66</u>	<u>229.06</u>	<u>1,195,310.72</u>
Total Net Assets, September 1, 2011	8,731,779.57	207,418.17	8,939,197.74
Restatements	21,864.20	1,391.22	23,255.42
Total Net Assets, September 1, 2011, as Restated	<u>8,753,643.77</u>	<u>208,809.39</u>	<u>8,962,453.16</u>
Total Net Assets, August 31, 2012	<u>\$ 9,948,725.43</u>	<u>\$ 209,038.45</u>	<u>\$ 10,157,763.88</u>

* GAAP 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, 2012

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Ex V 300)
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Other Revenue	\$ 324,336.72	\$ -	\$ 324,336.72
Payments to Employees for Salaries	(476,950.94)	-	(476,950.94)
Payments for Other Expenses	(432,982.52)	-	(432,982.52)
Net Cash Provided by Operating Activities	<u>(585,596.74)</u>	<u>-</u>	<u>(585,596.74)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Debt Issuance	5,000,000.00	-	5,000,000.00
Proceeds of Transfers from Other Funds	1,238,008.24	-	1,238,008.24
Payments of Interest	(41,922.23)	-	(41,922.23)
Payments of Other Costs of Debt Issuance	(4,240.00)	-	(4,240.00)
Payments for Transfers to Other Funds	(212,970.25)	(276.93)	(213,247.18)
Net Cash Provided by Noncapital Financing Activities	<u>5,978,875.76</u>	<u>(276.93)</u>	<u>5,978,598.83</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	740,522.86	505.99	741,028.85
Proceeds from Principal Payments on Loans	3,335,971.94	-	3,335,971.94
Payments for Non-Program Loans	(7,396,475.00)	-	(7,396,475.00)
Net Cash Provided by Investing Activities	<u>(3,319,980.20)</u>	<u>505.99</u>	<u>(3,319,474.21)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,073,298.82	229.06	2,073,527.88
Cash and Cash Equivalents, September 1, 2011	9,129,430.33	207,418.17	9,336,848.50
Restatement to Beginning Cash & Cash Equivalents	-	1,391.22	1,391.22
Cash and Cash Equivalents, September 1, 2011, as Restated	<u>9,129,430.33</u>	<u>208,809.39</u>	<u>9,338,239.72</u>
Cash and Cash Equivalents, August 31, 2012	<u>\$ 11,202,729.15</u>	<u>\$ 209,038.45</u>	<u>\$ 11,411,767.60</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 134,652.56	\$ -	\$ 134,652.56
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Operating Income and Cash Flow Categories:			
Classification Differences	(667,729.94)	-	(667,729.94)
Changes in Assets and Liabilities:			
Increase (Decrease) in Payables	(45,519.44)	-	(45,519.44)
Increase (Decrease) in Compensated Absence Liabilities	(6,999.92)	-	(6,999.92)
Total Adjustments	<u>(720,249.30)</u>	<u>-</u>	<u>(720,249.30)</u>
Net Cash Provided by Operating Activities	<u>\$ (585,596.74)</u>	<u>\$ -</u>	<u>\$ (585,596.74)</u>

* GAAP 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, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Departmental Suspense Fund (0900), U/F(0900)*				
ASSETS				
Cash in State Treasury	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 12,500,340.00</u>	<u>\$ 12,500,340.00</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 12,500,340.00	\$ 12,500,340.00	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 12,500,340.00</u>	<u>\$ 12,500,340.00</u>	<u>\$ -</u>
Correction Account for Direct Deposit Account (0980), U/F (0980)				
ASSETS				
Cash in State Treasury	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 8,881.93</u>	<u>\$ 8,881.93</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 8,881.93</u>	<u>\$ 8,881.93</u>	<u>\$ -</u>
Unappropriated General Revenue Agency Fund 1000 (1000) U/F (1002)				
ASSETS				
Cash in State Treasury	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 44,013.70</u>	<u>\$ 44,013.70</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 44,013.70	\$ 44,013.70	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 44,013.70</u>	<u>\$ 44,013.70</u>	<u>\$ -</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 8,881.93</u>	<u>\$ 8,881.93</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 8,881.93	\$ 8,881.93	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 8,881.93</u>	<u>\$ 8,881.93</u>	<u>\$ -</u>

* GAAP 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, 2012

	Texas Economic Development Corporation (9995)* U/F (7001)	Texas Small Business Industrial Development Corporation (9994)* U/F (7002)	Texas Disaster Relief Fund, a Non-Profit Corp. (3146)* U/F (7003)
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash In Bank	\$ 2,201.50	\$ -	\$ 685,631.65
Cash Equivalents	1,960,853.38	8,262,256.80	-
Restricted Cash and Cash Equivalents:			
Cash Equivalents	-	2,000,000.00	-
Short Term Investments			
Receivables from:	-	-	-
Other Governmental	-	-	-
Interest and Dividends	8.68	22,527.74	3.12
Accounts Receivable	9,750.00	-	-
Prepaid Items	207,227.93	5,000.00	-
Loans and Contracts	-	775,790.04	-
Other Current Assets	-	-	-
Total Current Assets	2,180,041.49	11,065,574.58	685,634.77
Non-Current Assets:			
Loans and Contracts	-	9,876,479.29	-
Capital Assets:			
Depreciable and Amortizable, Net	4,548.13	-	-
Total Non-Current Assets	4,548.13	9,876,479.29	-
Total Assets	\$ 2,184,589.62	\$ 20,942,053.87	\$ 685,634.77
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts	\$ 85,765.01	\$ 77,611.38	\$ -
Other	-	2,672.12	-
Deferred Revenues			
Total Current Liabilities	85,765.01	80,283.50	-
Non-Current Liabilities			
Revenue Bonds Payable	-	20,000,000.00	-
Total Non-Current Liabilities	-	20,000,000.00	-
Total Liabilities	85,765.01	20,080,283.50	-
Net Assets			
Unrestricted	2,098,824.61	861,770.37	685,634.77
Total Net Assets	\$ 2,098,824.61	\$ 861,770.37	\$ 685,634.77

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

UNAUDITED

Texas Health Services Authority (3147)* U/F (7004)	Beacon State Fund (4157)* U/F (7005)	State Agency Council (4158)* U/F (7006)	Film Texas Fund (4159)* U/F (7007)	Totals (Exhibit VIII - 300)
\$ 1,090,351.00	\$ 179,222.67	\$ 9,696.70	\$ 3,621.15	\$ 1,970,724.67
-	-	-	-	10,223,110.18
-	-	-	-	2,000,000.00
-	-	20,000.00	-	20,000.00
7,339.00	-	-	-	7,339.00
-	-	-	-	22,539.54
-	-	-	-	9,750.00
-	-	1,000.00	-	213,227.93
-	-	-	-	775,790.04
8,394.00	-	-	-	8,394.00
<u>1,106,084.00</u>	<u>179,222.67</u>	<u>30,696.70</u>	<u>3,621.15</u>	<u>15,250,875.36</u>
-	-	-	-	9,876,479.29
19,137.00	-	-	-	23,685.13
<u>19,137.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900,164.42</u>
<u>\$ 1,125,221.00</u>	<u>\$ 179,222.67</u>	<u>\$ 30,696.70</u>	<u>\$ 3,621.15</u>	<u>\$ 25,151,039.78</u>
\$ 292.00	\$ -	\$ 445.00	\$ -	\$ 164,113.39
218.00	-	-	-	2,890.12
<u>1,105,429.00</u>	<u>-</u>	<u>4,350.00</u>	<u>-</u>	<u>1,109,779.00</u>
<u>1,105,939.00</u>	<u>-</u>	<u>4,795.00</u>	<u>-</u>	<u>1,276,782.51</u>
-	-	-	-	20,000,000.00
-	-	-	-	20,000,000.00
<u>1,105,939.00</u>	<u>-</u>	<u>4,795.00</u>	<u>-</u>	<u>21,276,782.51</u>
19,282.00	179,222.67	25,901.70	3,621.15	3,874,257.27
<u>\$ 19,282.00</u>	<u>\$ 179,222.67</u>	<u>\$ 25,901.70</u>	<u>\$ 3,621.15</u>	<u>\$ 3,874,257.27</u>

UNAUDITED

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, 2012

	Texas Economic Development Corporation (9995)* U/F (7001)	Texas Small Business Industrial Development Corporation (9994)* U/F (7002)	Texas Disaster Relief Fund (3146)* U/F (7003)
Operating Revenue:			
Sales of Goods and Services	\$ -	\$ -	\$ -
Interest and Investment Income	-	-	-
Other Grants and Contributions	1,246,372.00	460,813.27	-
Other Operating Revenue	61,000.00	-	23,613.80
Total Operating Revenue	<u>1,307,372.00</u>	<u>460,813.27</u>	<u>23,613.80</u>
Operating Expenses:			
Salaries and Wages	-	-	-
Payroll Related Costs	-	-	-
Professional Fees and Services	474,809.54	468.00	1,021.00
Travel	262,127.08	-	-
Materials and Supplies	219,729.09	-	-
Communication and Utilities	13,072.99	-	935.21
Rentals and Leases	72,696.22	-	-
Printing and Reproduction	16,747.07	-	-
Depreciation and Amortization	6,064.20	-	-
Interest	-	66,500.61	-
Grants to Community Service Programs	-	-	53,823.43
Other Operating Expenses	200,186.46	753,143.03	553.19
Total Operating Expenses	<u>1,265,432.65</u>	<u>820,111.64</u>	<u>56,332.83</u>
Operating Income (Loss)	<u>41,939.35</u>	<u>(359,298.37)</u>	<u>(32,719.03)</u>
Nonoperating Revenue (Expenses)			
Investment Income (Expense)	1,425.77	2,810.83	36.09
Other Nonoperating Revenues (Expenses)	-	-	-
Total Other Nonoperating Revenue (Expenses)	<u>1,425.77</u>	<u>2,810.83</u>	<u>36.09</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>43,365.12</u>	<u>(356,487.54)</u>	<u>(32,682.94)</u>
Change in Net Assets	<u>43,365.12</u>	<u>(356,487.54)</u>	<u>(32,682.94)</u>
Total Net Assets, September 1, 2011	2,003,657.49	1,218,257.91	718,317.71
Restatements	51,802.00	-	-
Total Net Assets, September 1, 2011, as Restated	<u>2,055,459.49</u>	<u>1,218,257.91</u>	<u>718,317.71</u>
Total Net Assets, August 31, 2012	<u>\$ 2,098,824.61</u>	<u>\$ 861,770.37</u>	<u>\$ 685,634.77</u>

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

UNAUDITED

Texas Health Services Authority (3147)* U/F (7004)	Beacon State Fund (4157)* U/F (7005)	State Agency Council (4158)* U/F (7006)	Film Texas Fund (4159)* U/F (7007)	Totals (Exhibit IX 300)
\$ 582,775.00	\$ -	\$ -	\$ -	\$ 582,775.00
-	-	-	-	460,813.27
-	29,000.00	439.68	-	1,299,425.48
-	118,005.66	-	-	179,005.66
<u>582,775.00</u>	<u>147,005.66</u>	<u>439.68</u>	<u>-</u>	<u>2,522,019.41</u>
272,810.00	-	-	-	272,810.00
38,322.00	-	-	-	38,322.00
194,131.00	1,276.56	-	-	671,706.10
12,813.00	1,208.21	-	1,355.20	277,503.49
8,265.00	25,513.23	1,636.60	102.47	255,246.39
10,421.00	1,340.38	-	-	25,769.58
19,502.00	516.60	-	-	92,714.82
-	6,167.03	-	-	22,914.10
3,025.00	-	-	-	9,089.20
-	-	-	-	66,500.61
-	10,500.00	500.00	100.00	64,923.43
7,263.00	6,178.26	1,678.00	-	969,001.94
<u>566,552.00</u>	<u>52,700.27</u>	<u>3,814.60</u>	<u>1,557.67</u>	<u>2,766,501.66</u>
<u>16,223.00</u>	<u>94,305.39</u>	<u>(3,374.92)</u>	<u>(1,557.67)</u>	<u>(244,482.25)</u>
-	52.56	190.95	-	4,516.20
42.00	-	-	-	42.00
<u>42.00</u>	<u>52.56</u>	<u>190.95</u>	<u>-</u>	<u>4,558.20</u>
<u>16,265.00</u>	<u>94,357.95</u>	<u>(3,183.97)</u>	<u>(1,557.67)</u>	<u>(239,924.05)</u>
<u>16,265.00</u>	<u>94,357.95</u>	<u>(3,183.97)</u>	<u>(1,557.67)</u>	<u>(239,924.05)</u>
1,164,150.25	-	-	-	5,104,383.36
(1,161,133.25)	84,864.72	29,085.67	5,178.82	(990,202.04)
3,017.00	84,864.72	29,085.67	5,178.82	4,114,181.32
<u>\$ 19,282.00</u>	<u>\$ 179,222.67</u>	<u>\$ 25,901.70</u>	<u>\$ 3,621.15</u>	<u>\$ 3,874,257.27</u>

This page intentionally left blank.