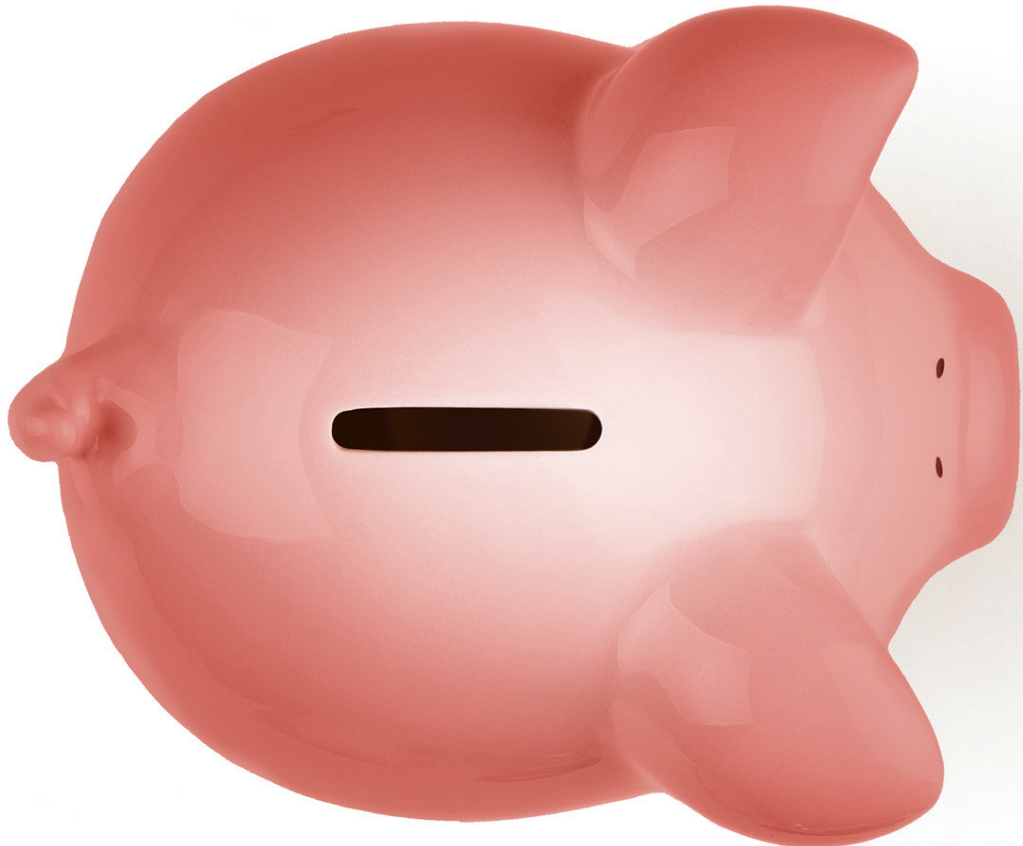
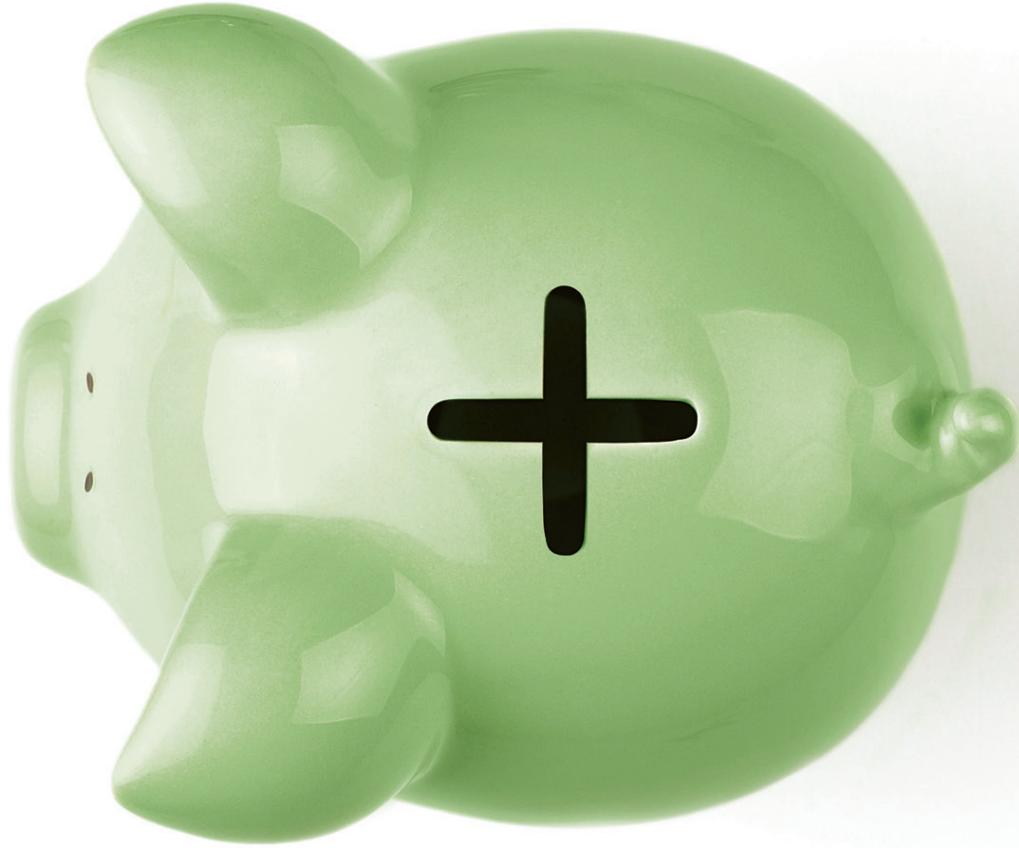




Annual Financial Report

For The Year Ended
August 31, 2012



November 20, 2012

The Honorable Rick Perry, Governor
Ms. Ursula Parks, Acting Director, Legislative Budget Board
John M. Keel, CPA, State Auditor

Dear Governor Perry, Ms. Parks and Mr. Keel:

We are pleased to submit the *Annual Financial Report* for the Comptroller of Public Accounts, the Comptroller's Judiciary Section, the Comptroller Treasury, the Texas Safekeeping Trust Company and the State Energy Conservation Office for the year ending Aug. 31, 2012, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Robert Chapa, manager of our Budget and Internal Accounting Division, at robert.chapa@cpa.state.tx.us or 463-4762.

Sincerely,


Susan Combs

cc: Robert Chapa



2012 Annual Financial Report

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BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller of Public Accounts (304)

EXHIBIT I

Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2012

	Governmental Fund Type General 0001 U/F (0001), (0369) (3027), (4050), (1369) (2102), (3102), (4102)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
ASSETS AND DEFERRED OUTFLOWS						
Current Assets:						
Cash and Cash Equivalents:						
Cash on Hand	\$ 4,650.00	\$ 4,650.00	\$	\$	\$	\$ 4,650.00
Cash in Bank (Note 3)	25,000.00	25,000.00				25,000.00
Legislative Appropriations	48,422,804.83	48,422,804.83				48,422,804.83
Receivables From:						
Accounts Receivable	9,637.90	9,637.90				9,637.90
Interfund Receivable (Note 12)	11,884.36	11,884.36				11,884.36
Due From Other Agencies	80,917.59	80,917.59				80,917.59
Consumable Inventories	499,314.65	499,314.65				499,314.65
Total Current Assets	49,054,209.33	49,054,209.33	0.00	0.00	0.00	49,054,209.33
Non-Current Assets and Deferred Outflows:						
Capital Assets (Note 2):						
Non-Depreciable or Non-Amortizable:						
Other Tangible Capital Assets			3,250.00			3,250.00
Construction in Progress			27,232,684.82			27,232,684.82
Depreciable Assets:						
Furniture and Equipment			6,997,621.60			6,997,621.60
Less Accumulated Depreciation			(4,731,496.05)			(4,731,496.05)
Vehicles, Boats, and Aircraft			295,526.71			295,526.71
Less Accumulated Depreciation			(253,785.04)			(253,785.04)
Amortizable Assets - Intangible:						
Computer Software			19,135,338.34			19,135,338.34
Less Accumulated Amortization:			(13,206,802.37)			(13,206,802.37)
Total Non-Current Assets	0.00	0.00	35,472,338.01	0.00	0.00	35,472,338.01
Total Assets and Deferred Outflows	\$ 49,054,209.33	\$ 49,054,209.33	\$ 35,472,338.01	\$ 0.00	\$ 0.00	\$ 84,526,547.34
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities and Deferred Inflows						
Current Liabilities:						
Payables From:						
Accounts Payable	3,264,411.83	3,264,411.83				3,264,411.83
Payroll Payable	15,922,965.64	15,922,965.64				15,922,965.64
Interfund Payable (Note 12)	11,884.36	11,884.36				11,884.36
Employees' Compensable Leave (Note 5)				9,910,750.11		9,910,750.11
Capital Lease Obligations (Note 5, 8)				2,000,000.00		2,000,000.00
Total Current Liabilities	19,199,261.83	19,199,261.83	0.00	11,910,750.11	0.00	31,110,011.94
Non-Current Liabilities and Deferred Inflows:						
Employees' Compensable Leave (Note 5)				7,625,820.12		7,625,820.12
Capital Lease Obligations (Note 5, 8)				1,600,000.00		1,600,000.00
Total Non-Current Liabilities	0.00	0.00	0.00	9,225,820.12	0.00	9,225,820.12
Total Liabilities and Deferred Inflows	19,199,261.83	19,199,261.83	0.00	21,136,570.23	0.00	40,335,832.06
FUND FINANCIAL STATEMENT						
Fund Balances (Deficits):						
Nonspendable – Inventory	499,314.65	499,314.65				499,314.65
Restricted						
Committed						
Assigned	8,434,525.00	8,434,525.00				8,434,525.00
Unassigned	20,921,107.85	20,921,107.85				20,921,107.85
Total Fund Balances	29,854,947.50	29,854,947.50	0.00	0.00	0.00	29,854,947.50
Total Liabilities, Deferred Inflows and Fund Balances	\$ 49,054,209.33	\$ 49,054,209.33				
GOVERNMENT-WIDE STATEMENT OF NET ASSETS						
Net Assets						
Invested in Capital Assets, Net of Related Debt			35,472,338.01			35,472,338.01
Restricted for:						
Employee Benefits				(17,536,570.23)		(17,536,570.23)
Capital Lease Obligations				(3,600,000.00)		(3,600,000.00)
Total Net Assets			\$ 35,472,338.01	\$ (21,136,570.23)	\$ 0.00	\$ 44,190,715.28

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

UNAUDITED
Comptroller of Public Accounts (304)

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 Type General					
	0001 U/F (0001), (0369) (3027), (4050), (1369) (2102), (3102), (4102)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
REVENUES						
Legislative Appropriations:						
Original Appropriations (GR)	\$ 203,175,247.00	\$ 203,175,247.00	\$	\$	\$	\$ 203,175,247.00
Additional Appropriations (GR)	36,461,668.09	36,461,668.09				36,461,668.09
Federal Pass-Through Revenue (GR) (Sched. 1A)	52,832.22	52,832.22				52,832.22
Interest Income (GR)	179.04	179.04				179.04
Licenses, Fees and Permits (GR)	1,412,630.53	1,412,630.53				1,412,630.53
Sales of Goods and Services (GR)	9,352,283.12	9,352,283.12				9,352,283.12
Other (GR)	499,337.41	499,337.41				499,337.41
Total Revenues	<u>250,954,177.41</u>	<u>250,954,177.41</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>250,954,177.41</u>
EXPENDITURES						
Salaries and Wages	157,917,391.68	157,917,391.68		(654,031.49)		157,263,360.19
Payroll Related Costs	36,684,168.87	36,684,168.87				36,684,168.87
Professional Fees and Services	11,675,511.49	11,675,511.49				11,675,511.49
Travel	4,884,859.12	4,884,859.12				4,884,859.12
Materials and Supplies	4,418,224.70	4,418,224.70				4,418,224.70
Communication and Utilities	2,937,088.59	2,937,088.59				2,937,088.59
Repairs and Maintenance	13,549,988.82	13,549,988.82				13,549,988.82
Rentals and Leases	13,391,321.15	13,391,321.15				13,391,321.15
Printing and Reproduction	1,302,845.00	1,302,845.00				1,302,845.00
Claims and Judgements	2,189.00	2,189.00				2,189.00
Other Expenditures	3,903,198.78	3,903,198.78				3,903,198.78
Debt Service - Principal - Capital Leases	2,140,009.00	2,140,009.00				2,140,009.00
Capital Outlay (Note 2, 8)	7,866,537.16	7,866,537.16	(8,566,537.16)	(2,140,009.00)		(2,840,009.00)
Depreciation and Amortization Expense (Note 2)			3,308,219.50			3,308,219.50
Total Expenditures/Expenses	<u>260,673,333.36</u>	<u>260,673,333.36</u>	<u>(5,258,317.66)</u>	<u>(2,794,040.49)</u>	<u>0.00</u>	<u>252,620,975.21</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(9,719,155.95)</u>	<u>(9,719,155.95)</u>	<u>5,258,317.66</u>	<u>2,794,040.49</u>	<u>0.00</u>	<u>(1,666,797.80)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	5,244,632.56	5,244,632.56				5,244,632.56
Transfers Out	(4,244,811.60)	(4,244,811.60)				(4,244,811.60)
Lapsed Committed Revenue Appropriations	(503,340.40)	(503,340.40)				(503,340.40)
Capital Asset – Transfer In (Note 2)			320,430.86			320,430.86
Gain/(Loss) on Sale of Capital Assets (Note 2)			(11,296.55)			(11,296.55)
Total Other Financing Sources (Uses)	<u>496,480.56</u>	<u>496,480.56</u>	<u>309,134.31</u>	<u>0.00</u>	<u>0.00</u>	<u>805,614.87</u>
Net Change in Fund Balances/Net Assets	<u>(9,222,675.39)</u>	<u>(9,222,675.39)</u>	<u>5,567,451.97</u>	<u>2,794,040.49</u>	<u>0.00</u>	<u>(861,182.93)</u>
FUND FINANCIAL STATEMENT – FUND BALANCES						
Fund Balances – Beginning	39,074,933.53	39,074,933.53				39,074,933.53
Restatements (Note 14)	2,689.36	2,689.36				2,689.36
Fund Balances, September 1, 2011, as Restated	<u>39,077,622.89</u>	<u>39,077,622.89</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>39,077,622.89</u>
Fund Balances – August 31, 2012	<u>\$ 29,854,947.50</u>	<u>\$ 29,854,947.50</u>	<u>\$ 5,567,451.97</u>	<u>\$ 2,794,040.49</u>	<u>\$ 0.00</u>	<u>\$ 38,216,439.96</u>
GOVERNMENT-WIDE STATEMENT OF NET ASSETS						
Change in Net Assets		<u>\$ 29,854,947.50</u>	<u>\$ 5,567,451.97</u>	<u>\$ 2,794,040.49</u>	<u>\$ 0.00</u>	<u>\$ 38,216,439.96</u>
Net Assets–Beginning			30,604,886.04	(23,930,610.72)		6,674,275.32
Restatements (Note 14)			(700,000.00)			(700,000.00)
Net Assets, September 1, 2011, as Restated and Adjusted			<u>29,904,886.04</u>	<u>(23,930,610.72)</u>	<u>0.00</u>	<u>5,974,275.32</u>
Net Assets as of August 31, 2012		<u>\$ 29,854,947.50</u>	<u>\$ 35,472,338.01</u>	<u>\$ (21,136,570.23)</u>	<u>\$ 0.00</u>	<u>\$ 44,190,715.28</u>

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller of Public Accounts is an agency of the State of Texas.

The Comptroller's financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Comptroller's office has three major statutory duties. First, the Comptroller serves as the state's primary tax collector, responsible for collecting most major state taxes. Second, the Comptroller is the state's chief accountant, responsible for writing the state's checks and monitoring all spending by state agencies. Third, the Comptroller is the state's official revenue estimator, responsible for issuing an estimate of revenues that will be available to the state over the upcoming two-year budget period.

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

This section of the report includes only those funds and accounts from which the Comptroller's own departmental activities are financed. The fiscal functions of the Comptroller's office are reported in separate sections of this report.

There are no component units in which the Comptroller of Public Accounts is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund (GAAP Fund Type 01)

The General Revenue Fund (Fund 0001) is the principle operating fund used to account for most of the state's general activities. It accounts for all financial resources except those required to be accounted for in other funds. The Federal American Recovery and Reinvestment Act (ARRA), Fund 0369, is the operating fund used to account for federal stimulus program funds received by the state.

Capital Assets Adjustment Fund Type

The Capital Assets Adjustment Fund (Fund 9998) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment Fund (Fund 9997) will be used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

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. They are as follows: Unappropriated General Revenue (Fund 1000), Direct Deposit Correction Account (Fund 0980), Texasaver 401K plan (Fund 0942), Departmental Suspense (Fund 0900), TPASS Postage (Fund 0999), and Child Support Employee Deductions (Fund 8070).

BASIS OF ACCOUNTING

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

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

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, capital lease obligations, and unpaid employee compensable leave. The activity is recognized in these fund types.

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). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated, unless the agency has authority to retain unexpended balances for use in future periods.

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.

Current Receivables – Other

Other receivables include year-end revenue accruals. This account appears in governmental fund types.

Inventories

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

Capital Assets

Tangible Assets

Tangible assets include assets such as Furniture, Fixtures, Equipment and Vehicles. Tangible assets with an initial individual unit cost of more than \$5,000 and an estimated useful life in excess of one fiscal year are capitalized. These assets are capi-

talized at cost or, if purchased, at appraised fair market value as of the date of acquisition. Purchases of assets by government funds are reported as expenditures.

Depreciation is reported on all “exhaustible” assets. Tangible assets are depreciated over the estimated useful life of the asset using the straight line method. Assets such as works of art or historical treasures are considered “inexhaustible” and are not depreciated.

Intangible Assets

Intangible assets include assets such as purchased or developed software. These are assets that lack in physical substance, are nonfinancial in nature and have an estimated useful life of more than one fiscal year.

Internally generated computer software with a total cost of more than \$1,000,000 or greater is capitalized. Purchased computer software is capitalized, if the aggregate cost of the software purchased, is greater than \$100,000.

Intangible software assets are amortized on an annual basis over the estimated useful life of the software using a straight line method.

Intangible software assets are reported using guidance from GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the state of Texas as of Sept. 1, 2009.

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.

Employees’ Compensable Leave Balances

Employees’ compensable leave balances represent the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

FUND BALANCE/NET ASSETS

Fund Balance/Net Assets – “Net assets” is the difference between fund assets and liabilities on the government-wide, proprietary and fiduciary fund statements. “Fund balance” is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components – The fund balance amounts for governmental funds are classified in accordance with GASB 54, as nonspendable, assigned or unassigned.

- 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. The Nonspendable Fund Balance for this purpose represents the amount of supplies, postage and prepaid assets held to be used in the next fiscal year.
- Assigned fund balance includes amounts constrained by the state’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Fund Balance Assigned for this purpose represents encumbrances.

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- 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. This represents the funds that can be carried forward for future operations.

Invested in Capital Assets, Net of Related Debt – Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation/amortization, and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of these assets.

INTERFUND ACTIVITIES AND BALANCES

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

The Comptroller's office has the following types of transactions between funds:

- Due From Other Agencies
- Federal Pass-Throughs
- Transfers In and Transfers Out
- Interfund Receivables and Interfund Payables

The composition of the agency's Interfund Receivable and Payable activities and balances are presented in Note 12.

NOTE 2: Capital Assets

Revenue received from the sale of surplus property has been transferred to Unappropriated General Revenue in accordance with HB 7, Section 20.

A summary of changes in capital assets for the year ended Aug. 31, 2012, is presented below:

	GOVERNMENTAL ACTIVITIES							Balance 8/31/12
	Balance 9/1/11	Adjust- ments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	
Non-Depreciable/ Non-Amortizable Assets								
Other Tangible Capital Assets	\$ 3,250.00	\$	\$	\$	\$	\$	\$	\$ 3,250.00
Construction in Progress	19,196,811.75			320,430.86		7,715,442.21		27,232,684.82
Total Non-Depreciable/ Non-Amortizable Assets:	<u>19,200,061.75</u>	<u>0.00</u>	<u>0.00</u>	<u>320,430.86</u>	<u>0.00</u>	<u>7,715,442.21</u>	<u>0.00</u>	<u>27,235,934.82</u>
Depreciable Assets								
Furniture and Equipment	8,322,373.65					644,160.95	(1,968,913.00)	6,997,621.60
Vehicles, Boats & Aircraft	286,526.71					9,000.00		295,526.71
Total Depreciable Assets	<u>8,608,900.36</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>653,160.95</u>	<u>(1,968,913.00)</u>	<u>7,293,148.31</u>
Less Accumulated Depreciation for:								
Furniture and Equipment	(6,045,092.73)					(654,266.32)	1,967,863.00	(4,731,496.05)
Vehicles, Boats & Aircraft	(243,361.56)					(10,423.48)		(253,785.04)
Total Accumulated Depreciation	<u>(6,288,454.29)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(664,689.80)</u>	<u>1,967,863.00</u>	<u>(4,985,281.09)</u>
Amortizable Assets – Intangible								
Computer Software	20,144,614.82	(700,000.00)				197,934.00	(507,210.48)	19,135,338.34
Total Amortizable Assets – Intangible	<u>20,144,614.82</u>	<u>(700,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>197,934.00</u>	<u>(507,210.48)</u>	<u>19,135,338.34</u>
Less Accumulated Amortization for:								
Computer Software	(11,060,236.60)					(2,643,529.70)	496,963.93	(13,206,802.37)
Total Accumulated Amortization	<u>(11,060,236.60)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(2,643,529.70)</u>	<u>496,963.93</u>	<u>(13,206,802.37)</u>
Total Governmental Activities	<u>\$30,604,886.04</u>	<u>\$(700,000.00)</u>	<u>\$ 0.00</u>	<u>\$320,430.86</u>	<u>\$ 0.00</u>	<u>\$5,258,317.66</u>	<u>\$ (11,296.55)</u>	<u>\$35,472,338.01</u>

NOTE 3: Deposits, Investments and Repurchase Agreements

The Comptroller of Public Accounts 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 Aug. 31, 2012, the carrying amount of deposits was \$25,000, as presented below:

Governmental and Business Type Activities	
Cash In Bank – Carrying Amount	<u>\$ 25,000.00</u>
Total Cash in Bank per AFR (Exhibit 1)	<u>\$ 25,000.00</u>

The carrying amount of \$25,000 for Cash in Bank represents the Comptroller’s travel advance fund. This amount consists of all cash in local banks. This amount is included on the combined statement of net assets as part of the “cash and cash equivalents.”

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long-Term Liabilities

Changes In Long-Term Liabilities

During the year ended Aug. 31, 2012, the following changes occurred in liabilities reported in the general long-term liability account group.

Governmental Activities	Balance Sept. 1, 2011	Additions	Reductions	Balance Aug. 31, 2012	Amounts Due Within One Year	Amounts Due Thereafter
Capital Lease Obligations	\$ 5,740,009.00	\$	\$ (2,140,009.00)	\$ 3,600,000.00	\$ 2,000,000.00	\$ 1,600,000.00
Employees' Compensable Leave	18,190,601.72	14,864,237.18	(15,518,268.67)	17,536,570.23	9,910,750.11	7,625,820.12
Total Governmental Activities	<u>\$23,930,610.72</u>	<u>\$14,864,237.18</u>	<u>\$(17,658,277.67)</u>	<u>\$21,136,570.23</u>	<u>\$11,910,750.11</u>	<u>\$ 9,225,820.12</u>

Capital Lease Obligations

This is the capital lease obligation that was in place as of 8/31/2012 for software licenses for the ERP/CAPPS technology project, which is presented in Note 8.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee’s resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net assets. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

Capital Leases

The Comptroller of Public Accounts entered into a contract with Oracle, USA, to purchase software for use in the state's ERP/CAPPS project. This software will be extensively modified for use by the state of Texas. This software will be capitalized under the rules of Accounting and Reporting for Intangible Assets (GASB 51).

As of Aug. 31, 2012, the Comptroller of Public Accounts had one capital lease/installment payment agreement.

Assets Under Capital Leases/ Installment Purchase	Governmental Activities
Computer Software – Intangible	\$ 7,896,008.89
Less: Accumulated Amortization	
Capital Lease Total	<u>\$ 7,896,008.89</u>

This is a construction in process asset. Accumulated amortization will not be charged to this asset until it is placed in service.

Future remaining lease payments due under this capital lease, together with the present value of net minimum lease payments at fiscal year-end, are as follows:

Future Installment Payments	Governmental Activities	
	Principal	Interest
2013	\$ 2,000,000.00	\$ 0.00
2014	1,600,000.00	
Total Installment Payments	<u>\$ 3,600,000.00</u>	<u>\$ 0.00</u>
Less: Amount Representing Interest at Various Rates	\$ 0.00	\$ 0.00
Present Value of Net Installment Payments	<u>\$ 3,600,000.00</u>	<u>\$ 0.00</u>

Note: This is an installment payment contract with Oracle, USA. No interest rate is specified. The payments are fixed each year over the term of the contract. This note only includes capital lease obligations in place at year-end.

Operating Leases

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

Fund Type 01	Amount
General – Rent Paid	\$ 3,212,390.69
General – Operating Leases	6,731,467.04
Total	<u>\$ 9,943,857.73</u>

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

Year Ended August 31, 2012	
2013	\$ 11,804,473.09
2014	8,367,190.92
2015	6,894,070.84
2016	5,403,638.92
2017	3,051,942.51
2018 thru 2022	891,896.04
Total Minimum Future Lease Rental Payments	<u>\$36,413,212.32</u>

This note does not include future lease renewals or contracts that were non-existent at year-end.

NOTE 9: Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Post Employment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Receivables and Payables

As detailed in Note 1, Interfund Transactions and Balances, the agency had numerous transactions between funds and agencies. The required reporting on Interfund receivable and Interfund payable balance and activity at Aug. 31, 2012, is as follows:

	Interfund Receivable	Interfund Payable	Source
GENERAL REVENUE (01)			
Agency 304, D23 Fund 2000	\$ 11,884.36	\$	Benefit Expenses
Agency 304, D23 Fund 3027		(11,884.36)	Benefit Expenses
Total Interfund Payable/Receivable (Exh I)	<u>\$ 11,884.36</u>	<u>\$ (11,884.36)</u>	

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balance/Net Assets

For the year ended Aug. 31, 2012, the beginning fund balance and the beginning net asset balance is restated, as follows:

Beginning Fund Balance	\$39,074,933.53
Restatement for Prior Year Default Balances	2,689.36
Net Restatement	<u>39,077,622.89</u>
Beginning Fund Balance as Restated	<u>\$39,077,622.89</u>

Beginning Net Assets	\$30,604,886.04
Restatement Capital Lease	(700,000.00)
Net Restatement	<u>29,904,886.04</u>
Beginning Net Assets as Restated	<u>\$29,904,886.04</u>

The restatement to beginning fund balance is due to transactions remaining in the default fund at fiscal year end 2011. The restatement to the beginning net asset fund balance is due to an overstatement that occurred, in fiscal 2011, by including a capital lease payment that was already included in the beginning asset balance.

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

No material accounting events occurred in the Comptroller of Public Accounts for fiscal year 2012.

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

This report reflects the Comptroller's operating transactions in the State's General Revenue Fund.

The activities of the Comptroller's Judiciary Section (241), the Comptroller's Treasury Fiscal (311), the Comptroller's State Energy Conservation Office (SECO) (907), the Comptroller-State Fiscal (902), and the Texas Treasury Safekeeping Trust Company (930) are reported in separate sections of this report.

The activities of the Texas Prepaid Higher Education Tuition Board (315) are presented in a separate report.

NOTE 21: Not Applicable to the AFR

(Not Applicable)

NOTE 22: Donor-Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances

(Not Applicable)

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

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Comptroller of Public Accounts (304)

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (1000)				
ASSETS				
Current				
Cash in State Treasury	\$ 0.00	\$ 6,904,897.25	\$ 6,904,897.25	\$ 0.00
Total Assets	<u>\$ 0.00</u>	<u>\$ 6,904,897.25</u>	<u>\$ 6,904,897.25</u>	<u>\$ 0.00</u>
LIABILITIES				
Current				
Accounts Payable	\$ (1,681.19)	\$ 70,296.27	\$ 68,615.08	\$ 0.00
Funds Held for Others	1,681.19	6,904,897.25	6,906,578.44	0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 6,975,193.52</u>	<u>\$ 6,975,193.52</u>	<u>\$ 0.00</u>
Suspense Fund (0900) U/F (9015) (9016)				
ASSETS				
Current				
Cash in State Treasury	\$ 460.27	\$ 16,994.38	\$ 17,454.65	\$ 0.00
Total Assets	<u>\$ 460.27</u>	<u>\$ 16,994.38</u>	<u>\$ 17,454.65</u>	<u>\$ 0.00</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 460.27	\$ 16,994.38	\$ 17,454.65	\$ 0.00
Total Liabilities	<u>\$ 460.27</u>	<u>\$ 16,994.38</u>	<u>\$ 17,454.65</u>	<u>\$ 0.00</u>
Texasaver – 401K (0942) U/F (0942)				
ASSETS				
Current				
Accounts Receivables, Net	\$ 0.00	\$ 83,121.42	\$ 83,121.42	\$ 0.00
Total Assets	<u>\$ 0.00</u>	<u>\$ 83,121.42</u>	<u>\$ 83,121.42</u>	<u>\$ 0.00</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 0.00	\$ 83,121.42	\$ 83,121.42	\$ 0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 83,121.42</u>	<u>\$ 83,121.42</u>	<u>\$ 0.00</u>
Direct Deposit Correction (0980) U/F (0980) (9014)				
ASSETS				
Current				
Cash in State Treasury	\$ 0.00	\$ 10,604.42	\$ 10,604.42	\$ 0.00
Total Assets	<u>\$ 0.00</u>	<u>\$ 10,604.42</u>	<u>\$ 10,604.42</u>	<u>\$ 0.00</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 0.00	\$ 10,604.42	\$ 10,604.42	\$ 0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 10,604.42</u>	<u>\$ 10,604.42</u>	<u>\$ 0.00</u>

Concluded on the following page

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EXHIBIT J-1 (concluded)

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
TPASS Postage Fund (0999) U/F (0999)				
ASSETS				
Current				
Consumable Inventories	\$ 0.00	\$ 0.00	\$ 8,596.13	\$ (8,596.13)
Other Current Assets	541,255.52	0.00	0.00	541,255.52
Total Assets	<u>\$ 541,255.52</u>	<u>\$ 0.00</u>	<u>\$ 8,596.13</u>	<u>\$ 532,659.39</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 541,255.52	\$ 0.00	\$ 8,596.13	\$ 532,659.39
Total Liabilities	<u>\$ 541,255.52</u>	<u>\$ 0.00</u>	<u>\$ 8,596.13</u>	<u>\$ 532,659.39</u>
Child Support Employ Deduct – Offset Acct Fund (0807) U/F (8070)				
ASSETS				
Current				
Cash in State Treasury	\$ 38,414.34	\$ 460,090.59	\$ 465,572.82	\$ 32,932.11
Total Assets	<u>\$ 38,414.34</u>	<u>\$ 460,090.59</u>	<u>\$ 465,572.82</u>	<u>\$ 32,932.11</u>
LIABILITIES				
Current				
Accounts Payable	\$ 0.00	\$ 427,158.48	\$ 427,158.48	\$ 0.00
Funds Held for Others	38,414.34	421,676.25	427,158.48	32,932.11
Total Liabilities	<u>\$ 38,414.34</u>	<u>\$ 848,834.73</u>	<u>\$ 854,316.96</u>	<u>\$ 32,932.11</u>
Totals – All Agency Funds				
ASSETS				
Current				
Cash in State Treasury	\$ 38,874.61	\$7,392,586.64	\$7,398,529.14	\$ 32,932.11
Accounts Receivables, Net	0.00	83,121.42	83,121.42	0.00
Consumable Inventories	0.00	0.00	8,596.13	(8,596.13)
Other Current Assets	541,255.52	0.00	0.00	541,255.52
Total Assets	<u>\$ 580,130.13</u>	<u>\$7,475,708.06</u>	<u>\$7,490,246.69</u>	<u>\$ 565,591.50</u>
LIABILITIES				
Current				
Accounts Payable	\$ (1,681.19)	\$ 497,454.75	\$ 495,773.56	\$ 0.00
Funds Held for Others	581,811.32	7,437,293.72	7,453,513.54	565,591.50
Total Liabilities	<u>\$ 580,130.13</u>	<u>\$7,934,748.47</u>	<u>\$7,949,287.10</u>	<u>\$ 565,591.50</u>

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

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller of Public Accounts (304)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards – ARRA

For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-through Grantor Program Title	CFDA Number	Pass-Through From			Direct Program Amount	Total PT From & Direct Program Amount
		Agy/ Univ. #	Agencies or Univ. Amount	Non-State Entities Amount		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass-through From:						
ARRA – Prevention and Wellness – State, Territories and Pacific Islands	93.723		\$	\$	\$	\$ 52,832.22
<i>Pass-through From:</i>						
<i>Department of State Health Services</i>		537	52,832.22			
Totals – U.S. Department of Health and Human Services (Exhibit II)			<u>52,832.22</u>	<u>0.00</u>	<u>0.00</u>	<u>52,832.22</u>
Total Expenditures of Federal Awards			<u>\$ 52,832.22</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 52,832.22</u>

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

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Comptroller of Public Accounts (304)

Agy/ Univ. #	Pass-Through To		Expenditures Amount	Total PT To & Expenditures
	Agencies or Univ. Amount	Non-State Entities Amount		
	\$	\$	\$ 52,832.22	\$ 52,832.22
	<u>0.00</u>	<u>0.00</u>	<u>52,832.22</u>	<u>52,832.22</u>
	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 52,832.22</u>	<u>\$ 52,832.22</u>

Comptroller Judiciary Section (241)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT I

**Combined Balance Sheet/Statement of Net Assets –
Governmental Funds**

August 31, 2012

	General Funds (Exh A-1)	Special Revenue Funds (Exh B-1)	Governmental Funds Total	Capital Assets Adjustments
ASSETS				
Current Assets:				
Cash				
In State Treasury	\$	\$ 5,784,651.44	\$ 5,784,651.44	\$
Legislative Appropriations	11,029,287.38		11,029,287.38	
Due From Other Agencies	2,497,679.09	2,422,981.86	4,920,660.95	
Total Current Assets	<u>13,526,966.47</u>	<u>8,207,633.30</u>	<u>21,734,599.77</u>	<u>0.00</u>
Total Assets	<u>\$ 13,526,966.47</u>	<u>\$ 8,207,633.30</u>	<u>\$ 21,734,599.77</u>	<u>\$ 0.00</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts	\$ 6,322.50	\$	\$ 6,322.50	\$
Payroll	7,730,055.05		7,730,055.05	
Due To Other Agencies		2,092,977.61	2,092,977.61	
Total Current Liabilities	<u>7,736,377.55</u>	<u>2,092,977.61</u>	<u>9,829,355.16</u>	<u>0.00</u>
Total Liabilities	<u>7,736,377.55</u>	<u>2,092,977.61</u>	<u>9,829,355.16</u>	<u>0.00</u>
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances (Deficits):				
Restricted		2,422,981.86	2,422,981.86	
Committed	1,415,060.70	3,603,551.12	5,018,611.82	
Unassigned	4,375,528.22	88,122.71	4,463,650.93	
Total Fund Balances	<u>5,790,588.92</u>	<u>6,114,655.69</u>	<u>11,905,244.61</u>	<u>0.00</u>
Total Liabilities and Fund Balances	<u>\$ 13,526,966.47</u>	<u>\$ 8,207,633.30</u>	<u>\$ 21,734,599.77</u>	<u>\$ 0.00</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$	\$	\$ 5,784,651.44
		11,029,287.38
		4,920,660.95
<u>0.00</u>	<u>0.00</u>	<u>21,734,599.77</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 21,734,599.77</u>
		\$ 6,322.50
		7,730,055.05
		2,092,977.61
<u>0.00</u>	<u>0.00</u>	<u>9,829,355.16</u>
<u>0.00</u>	<u>0.00</u>	<u>9,829,355.16</u>
		2,422,981.86
		5,018,611.82
		4,463,650.93
<u>0.00</u>	<u>0.00</u>	<u>11,905,244.61</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 21,734,599.77</u>

UNAUDITED
Comptroller Judiciary Section (241)

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

	General Funds (Exh A-2)	Special Revenue Funds (Exh B-2)	Governmental Funds Total	Capital Assets Adjustments
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 66,191,024.00	\$	\$ 66,191,024.00	\$
Additional Appropriations	(11,071,010.55)		(11,071,010.55)	
State Grant Pass-Through Revenue (Schedule 1B)	1,432,227.00		1,432,227.00	
Licenses, Fees & Permits	9,522,929.51	71,330,050.30	80,852,979.81	
Other	174,249.15	127.27	174,376.42	
Total Revenues	<u>66,249,419.11</u>	<u>71,330,177.57</u>	<u>137,579,596.68</u>	<u>0.00</u>
EXPENDITURES				
Salaries and Wages	35,737,686.63	45,948,471.18	81,686,157.81	
Payroll Related Costs	10,112,728.85	5,606,121.42	15,718,850.27	
Travel	527,884.63		527,884.63	
Intergovernmental Payments	24,497,409.77	28,751,735.09	53,249,144.86	
Other Expenditures	6,166,754.59	177,842.75	6,344,597.34	
Total Expenditures/Expenses	<u>77,042,464.47</u>	<u>80,484,170.44</u>	<u>157,526,634.91</u>	<u>0.00</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(10,793,045.36)</u>	<u>(9,153,992.87)</u>	<u>(19,947,038.23)</u>	<u>0.00</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,089,794.00	987,418.00	2,077,212.00	
Transfers Out	<u>(2,150.75)</u>	<u>(6,915,228.83)</u>	<u>(6,917,379.58)</u>	
Total Other Financing Sources (Uses)	<u>1,087,643.25</u>	<u>(5,927,810.83)</u>	<u>(4,840,167.58)</u>	<u>0.00</u>
Net Change in Fund Balances/Net Assets	(9,705,402.11)	(15,081,803.70)	(24,787,205.81)	
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances – Beginning	25,420,466.22	36,618,525.13	62,038,991.35	
Restatements	<u>(0.20)</u>	<u>(15,422,065.74)</u>	<u>(15,422,065.94)</u>	
Fund Balances, September 1, 2011, as Restated	25,420,466.02	21,196,459.39	46,616,925.41	0.00
Appropriations Reinstated (Lapsed)	<u>(9,924,474.99)</u>		<u>(9,924,474.99)</u>	
Fund Balances – August 31, 2012	<u>\$ 5,790,588.92</u>	<u>\$ 6,114,655.69</u>	<u>\$ 11,905,244.61</u>	<u>\$ 0.00</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$	\$	\$ 66,191,024.00
		(11,071,010.55)
		1,432,227.00
		80,852,979.81
		174,376.42
<u>0.00</u>	<u>0.00</u>	<u>137,579,596.68</u>
		81,686,157.81
		15,718,850.27
		527,884.63
		53,249,144.86
		6,344,597.34
<u>0.00</u>	<u>0.00</u>	<u>157,526,634.91</u>
<u>0.00</u>	<u>0.00</u>	<u>(19,947,038.23)</u>
		2,077,212.00
		(6,917,379.58)
<u>0.00</u>	<u>0.00</u>	<u>(4,840,167.58)</u>
		(24,787,205.81)
		62,038,991.35
		(15,422,065.94)
<u>0.00</u>	<u>0.00</u>	<u>46,616,925.41</u>
		(9,924,474.99)
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 11,905,244.61</u>

UNAUDITED
Comptroller Judiciary Section (241)

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller's Judiciary Section is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts Reporting Requirements for State Agencies.

The Comptroller's Judiciary Section is responsible for paying the salaries of the district judges and district attorneys of Texas. The agency also pays miscellaneous expenses incurred by the judges and District Attorneys as provided by the General Appropriations Act.

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 be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

There are no component units in which the Comptroller's Judiciary Section is financially accountable or any organization whose exclusion would create misleading or incomplete financial statements.

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

General Revenue Fund (GAAP Fund Type 01)

The General Revenue Fund (Fund 0001) is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

The Insurance Board Operating Fund (0036)

Funds from taxes and fees as required by the Insurance Code and money received by the Board from sales, reimbursements and fees authorized by other statutes and provided to the Travis County District Attorney's Office to investigate and prosecute insurance fraud.

Special Revenue Funds (GAAP Fund Type 02)

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

The State Highway Fund (Fund 0006)

State Highway funds provided to the Travis County District Attorney's Office to investigate and prosecute motor fuel tax fraud cases.

The Felony Prosecutor Supplement (Fund 0303)

The Fund receives two-thirds of \$15 cost paid by each surety posting a bail bond to fund longevity supplements for eligible assistant prosecutors. The remaining one-third is deposited to GR Account -- Fair Defense Fund.

The Judicial Fund (Fund 0573)

Used only for court-related purposes for support of judicial branch of the state, for child support and court management and for basic legal services to the indigent.

FIDUCIARY FUND TYPES

Agency Funds (GAAP Fund Type 09)

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. They are as follows: Child Support Employee Deductions (Fund 8070), USPS - Overpayments To Employees (Fund 0900) and Direct Deposit Correction Account (Fund 0980).

BASIS OF ACCOUNTING

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

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

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated, unless the agency has authority to retain unexpended balances for use in future periods.

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.

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.

FUND BALANCE/NET ASSETS

- Fund balance is the difference between fund assets and liabilities on the governmental fund statements. The fund balance amounts for governmental funds are classified in accordance with GASB 54 as restricted, committed and unassigned.

- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- 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.
- 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.

INTERFUND ACTIVITIES AND BALANCES

Interfund transaction refers to interactions with legally separate entities such as other state agencies and is restricted to external events. The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

(Not Applicable)

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long Term Liabilities

EMPLOYEES' COMPENSABLE LEAVE

The employees paid through the Comptroller's Judiciary Section, Agency 241, are not eligible for state compensable leave. They are covered in their individual court or county. The Comptroller's Judiciary Section does not show any Compensable Leave liability for these employees.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Post Employment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Payables and Receivables

(Not Applicable)

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustment to Fund Balances/Net Assets

Non-controlling agencies, the appellate courts, carried a Fund Balance on their ledgers and Due To and Due From were recorded each year for non-cash transfers. Operating transfers were not recorded on the operating statement to cover the deficits created by insufficient revenues collected. The Fund Balance for these agencies closed each year as a debit balance, instead of a zero Fund Balance. During 2012, all agencies that recorded activity in Fund 0573 were reviewed by fiscal management and adjustments were made to restate the financial statements.

The 20 cent restatement in fund 0001 represents a prior year BRP adjustment.

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

(Not Applicable)

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 21: N/A

(Not Applicable)

NOTE 22: Donor Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances

(Not Applicable)

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

UNAUDITED
Comptroller Judiciary Section (241)

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT A-1

**Combining Balance Sheet –
All General and Consolidated Funds**

August 31, 2012

	General Revenue (0001) U/F (0001)	Insurance Board Operating Fund (0036) U/F (0036)	Total (Exh I)
ASSETS			
Current Assets:			
Cash			
In State Treasury	\$	\$	\$
Legislative Appropriations	11,029,287.38		11,029,287.38
Due From Other Agencies	1,082,618.39	1,415,060.70	2,497,679.09
Total Current Assets	<u>12,111,905.77</u>	<u>1,415,060.70</u>	<u>13,526,966.47</u>
Total Assets	<u>\$ 12,111,905.77</u>	<u>\$ 1,415,060.70</u>	<u>\$ 13,526,966.47</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current Liabilities:			
Payables From:			
Accounts	\$ 6,322.50	\$	\$ 6,322.50
Payroll	7,730,055.05		7,730,055.05
Total Current Liabilities	<u>7,736,377.55</u>	<u>0.00</u>	<u>7,736,377.55</u>
Total Liabilities	<u>7,736,377.55</u>	<u>0.00</u>	<u>7,736,377.55</u>
FUND FINANCIAL STATEMENT – FUND BALANCES			
Fund Balances (Deficits):			
Committed		1,415,060.70	1,415,060.70
Unassigned	4,375,528.22		4,375,528.22
Total Fund Balances	<u>4,375,528.22</u>	<u>1,415,060.70</u>	<u>5,790,588.92</u>
Total Liabilities and Fund Balances	<u>\$ 12,111,905.77</u>	<u>\$ 1,415,060.70</u>	<u>\$ 13,526,966.47</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

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

	General Revenue Fund (0001) U/F (0001)	Insurance Board Operating Fund (0036) U/F (0036)	Total (Exh II)
REVENUES			
Legislative Appropriations:			
Original Appropriations	\$ 66,191,024.00	\$	\$ 66,191,024.00
Additional Appropriations	(11,071,010.55)		(11,071,010.55)
State Grant Pass-Through Revenue (Schedule 1B)	1,432,227.00		1,432,227.00
Licenses, Fees & Permits	9,522,929.51		9,522,929.51
Other	174,249.15		174,249.15
Total Revenues	<u>66,249,419.11</u>	<u>0.00</u>	<u>66,249,419.11</u>
EXPENDITURES			
Salaries and Wages	35,737,686.63		35,737,686.63
Payroll Related Costs	10,112,728.85		10,112,728.85
Travel	527,884.63		527,884.63
Intergovernmental Payments	23,612,515.40	884,894.37	24,497,409.77
Other Expenditures	6,166,754.59		6,166,754.59
Total Expenditures/Expenses	<u>76,157,570.10</u>	<u>884,894.37</u>	<u>77,042,464.47</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(9,908,150.99)</u>	<u>(884,894.37)</u>	<u>(10,793,045.36)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In		1,089,794.00	1,089,794.00
Transfers Out	(2,150.75)		(2,150.75)
Total Other Financing Sources (Uses)	<u>(2,150.75)</u>	<u>1,089,794.00</u>	<u>1,087,643.25</u>
Net Change in Fund Balances/Net Assets	(9,910,301.74)	204,899.63	(9,705,402.11)
FUND FINANCIAL STATEMENT – FUND BALANCES			
Fund Balances – Beginning	24,210,305.15	1,210,161.07	25,420,466.22
Restatements	(0.20)		(0.20)
Fund Balances, September 1, 2011, as Restated	<u>24,210,304.95</u>	<u>1,210,161.07</u>	<u>25,420,466.02</u>
Appropriations Reinstated (Lapsed)	(9,924,474.99)		(9,924,474.99)
Fund Balances – August 31, 2012	<u>\$ 4,375,528.22</u>	<u>\$ 1,415,060.70</u>	<u>\$ 5,790,588.92</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT B-1

Combining Balance Sheet – Special Revenue Funds

August 31, 2012

	Special Revenue State Highway (0006) U/F (0006)	Special Revenue Felony Prosecutor (0303) U/F (0303)	Special Revenue Judicial (0573) U/F (0573, 1573)	Totals (Ex I)
ASSETS				
Current Assets:				
Cash				
In State Treasury	\$	\$ 1,510,573.51	\$ 4,274,077.93	\$ 5,784,651.44
Legislative Appropriations				
Due From Other Agencies	2,422,981.86			2,422,981.86
Total Current Assets	<u>2,422,981.86</u>	<u>1,510,573.51</u>	<u>4,274,077.93</u>	<u>8,207,633.30</u>
Total Assets	<u>\$ 2,422,981.86</u>	<u>\$ 1,510,573.51</u>	<u>\$ 4,274,077.93</u>	<u>\$ 8,207,633.30</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Payroll	\$	\$	\$	\$
Due To Other Agencies			2,092,977.61	2,092,977.61
Total Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>2,092,977.61</u>	<u>2,092,977.61</u>
Total Liabilities	<u>0.00</u>	<u>0.00</u>	<u>2,092,977.61</u>	<u>2,092,977.61</u>
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances (Deficits):				
Restricted	2,422,981.86			2,422,981.86
Committed		1,510,573.51	2,092,977.61	3,603,551.12
Unassigned			88,122.71	88,122.71
Total Fund Balances	<u>2,422,981.86</u>	<u>1,510,573.51</u>	<u>2,181,100.32</u>	<u>6,114,655.69</u>
Total Liabilities and Fund Balances	<u>\$ 2,422,981.86</u>	<u>\$ 1,510,573.51</u>	<u>\$ 4,274,077.93</u>	<u>\$ 8,207,633.30</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT B-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds

For the Fiscal Year Ended August 31, 2012

	Special Revenue State Highway (0006) U/F (0006)	Special Revenue Felony Prosecutor (0303) U/F (0303)	Special Revenue Judicial (0573) U/F (0573, 1573)	Totals (Exh II)
REVENUES				
Licenses, Fees & Permits	\$	\$4,132,896.09	\$67,197,154.21	\$71,330,050.30
Other			127.27	127.27
Total Revenues	<u>0.00</u>	<u>4,132,896.09</u>	<u>67,197,281.48</u>	<u>71,330,177.57</u>
EXPENDITURES				
Salaries and Wages			45,948,471.18	45,948,471.18
Payroll Related Costs			5,606,121.42	5,606,121.42
Intergovernmental Payments	636,710.10	4,122,322.58	23,992,702.41	28,751,735.09
Other Expenditures			177,842.75	177,842.75
Total Expenditures/Expenses	<u>636,710.10</u>	<u>4,122,322.58</u>	<u>75,725,137.76</u>	<u>80,484,170.44</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(636,710.10)</u>	<u>10,573.51</u>	<u>(8,527,856.28)</u>	<u>(9,153,992.87)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	987,418.00			987,418.00
Transfers Out		(258,879.09)	(6,656,349.74)	(6,915,228.83)
Total Other Financing Sources (Uses)	<u>987,418.00</u>	<u>(258,879.09)</u>	<u>(6,656,349.74)</u>	<u>(5,927,810.83)</u>
Net Change in Fund Balances	350,707.90	(248,305.58)	(15,184,206.02)	(15,081,803.70)
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances – Beginning	2,072,273.96	1,758,879.09	32,787,372.08	36,618,525.13
Restatements			(15,422,065.74)	(15,422,065.74)
Fund Balances, September 1, 2011, as Restated	<u>2,072,273.96</u>	<u>1,758,879.09</u>	<u>17,365,306.34</u>	<u>21,196,459.39</u>
Appropriations Reinstated (Lapsed)				
Fund Balances – August 31, 2012	<u>\$2,422,981.86</u>	<u>\$1,510,573.51</u>	<u>\$ 2,181,100.32</u>	<u>\$ 6,114,655.69</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance August 31, 2011	Additions	Deductions	Ending Balance August 31, 2012
CHILD SUPPORT EMPLOYEE DEDUCTS – SUSPENSE				
Fund (0807) U/F (8070)				
ASSETS				
Cash in State Treasury	\$ 4,800.00	\$ 74,100.00	\$ 73,200.00	\$ 5,700.00
Total Assets	<u>\$ 4,800.00</u>	<u>\$ 74,100.00</u>	<u>\$ 73,200.00</u>	<u>\$ 5,700.00</u>
LIABILITIES				
Funds Held for Others	\$ 4,800.00	\$ 69,300.00	\$ 68,400.00	\$ 5,700.00
Total Liabilities	<u>\$ 4,800.00</u>	<u>\$ 69,300.00</u>	<u>\$ 68,400.00</u>	<u>\$ 5,700.00</u>
USPS-Overpayments To Employees				
Fund (0900) U/F (9015)				
ASSETS				
Cash in State Treasury	\$ 0.00	\$ 14,171.38	\$ 14,164.43	\$ 6.95
Total Assets	<u>\$ 0.00</u>	<u>\$ 14,171.38</u>	<u>\$ 14,164.43</u>	<u>\$ 6.95</u>
LIABILITIES				
Funds Held for Others	\$ 0.00	\$ 14,171.38	\$ 14,164.43	\$ 6.95
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 14,171.38</u>	<u>\$ 14,164.43</u>	<u>\$ 6.95</u>
DIRECT DEPOSIT CORRECTION				
Fund (0980) U/F (0980)				
ASSETS				
Cash in State Treasury	\$ 73.44	\$ 0.00	\$ 0.00	\$ 73.44
Total Assets	<u>\$ 73.44</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 73.44</u>
LIABILITIES				
Funds Held for Others	\$ 73.44	\$ 0.00	\$ 0.00	\$ 73.44
Total Liabilities	<u>\$ 73.44</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 73.44</u>
TOTALS – ALL AGENCY FUNDS				
ASSETS				
Cash in State Treasury	\$ 4,873.44	\$ 88,271.38	\$ 87,364.43	\$ 5,780.39
Total Assets	<u>\$ 4,873.44</u>	<u>\$ 88,271.38</u>	<u>\$ 87,364.43</u>	<u>\$ 5,780.39</u>
LIABILITIES				
Funds Held for Others	\$ 4,873.44	\$ 83,471.38	\$ 82,564.43	\$ 5,780.39
Total Liabilities	<u>\$ 4,873.44</u>	<u>\$ 83,471.38</u>	<u>\$ 82,564.43</u>	<u>\$ 5,780.39</u>

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

UNAUDITED
Comptroller Judiciary Section (241)

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller Judiciary Section (241)

SCHEDULE 1B

**Schedule of State Grant Pass-Throughs
From/To State Agencies**

For the Fiscal Year Ended August 31, 2012

Pass-through From	Grant ID	Agency Number	Amount
Prosecution of Prison Crimes Governor – Fiscal	300.0007	300	\$ 1,432,227.00
Total Pass-Through from Other Agencies (Exh. II):			<u>\$ 1,432,227.00</u>

UNAUDITED
Comptroller Judiciary Section (241)

Comptroller – Fiscal (902)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller – Fiscal (902)

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT I

Combined Balance Sheet – Governmental Funds

August 31, 2012

	Governmental Fund Types			
	General Funds	Special Revenue Funds	Permanent Fund Available National Research University Fund 0214	Governmental Funds Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in State Treasury	\$ 2,746,949,278.10	\$ 24,968,911.98	\$ 15,768,378.57	\$ 2,787,686,568.65
Cash in Bank		956,070.87		956,070.87
Receivables:				
Accounts	295,678,666.67			295,678,666.67
Interest and Dividends	2,246,491.98	17,935.70	5,760.11	2,270,187.79
Taxes (Note 27)	2,591,162,519.19			2,591,162,519.19
Due From Other Agencies (Note 12)	<u>126,575,035.51</u>			<u>126,575,035.51</u>
Total Current Assets	<u>5,762,611,991.45</u>	<u>25,942,918.55</u>	<u>15,774,138.68</u>	<u>5,804,329,048.68</u>
Non-Current Assets:				
Taxes Receivable (Note 27)	127,144,985.01			127,144,985.01
Total Non-Current Assets	<u>127,144,985.01</u>			<u>127,144,985.01</u>
Total Assets	<u>\$ 11,779,513,952.92</u>	<u>\$ 25,942,918.55</u>	<u>\$ 15,774,138.68</u>	<u>\$ 5,931,474,033.69</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts	\$ 222,819.17	\$ 214,834.64	\$	\$ 437,653.81
Federal	284,547.00			284,547.00
Other Intergovernmental	26,476,289.74			26,476,289.74
Unclaimed Property Claimant Liabilities	206,851,798.18			206,851,798.18
Taxes Refund Payable	272,220,655.43			272,220,655.43
Due To Other Agencies (Note 12)	276,359,698.62		15,755,864.08	292,115,562.70
Deferred Revenues	815,583,328.77			815,583,328.77
Total Current Liabilities	<u>1,597,999,136.91</u>	<u>214,834.64</u>	<u>15,755,864.08</u>	<u>1,613,969,835.63</u>
Total Liabilities	<u>1,597,999,136.91</u>	<u>214,834.64</u>	<u>15,755,864.08</u>	<u>1,613,969,835.63</u>
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable	127,144,985.01		18,274.60	127,163,259.61
Restricted	289,097,301.05	741,236.23		289,838,537.28
Committed	44,105,262.00	24,986,847.68		69,092,109.68
Assigned				
Unassigned	3,831,410,291.49			3,831,410,291.49
Total Fund Balances	<u>4,291,757,839.55</u>	<u>25,728,083.91</u>	<u>18,274.60</u>	<u>4,317,504,198.06</u>
Total Liabilities and Fund Balances	<u>\$ 5,889,756,976.46</u>	<u>\$ 25,942,918.55</u>	<u>\$ 15,774,138.68</u>	<u>\$ 5,931,474,033.69</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT II

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended August 31, 2012

	General Funds	Special Revenue Funds	Permanent Fund Available National Research University Fund 0214	Governmental Funds Total
REVENUES				
Taxes	\$ 38,578,767,607.87	\$ 2,699,968,695.73	\$	\$ 41,278,736,303.60
Licenses, Fees & Permits	1,155,752,613.46	965,724.40		1,156,718,337.86
Interest and Other Investment Income	(1,019,594.23)	1,076,850.17	18,274.60	75,530.54
Land Income	24,237,749.28			24,237,749.28
Settlement of Claims	535,391,957.99			535,391,957.99
Sales of Goods and Services	53,337,554.02			53,337,554.02
Other	547,375,328.81	34,786,434.84	15,755,864.08	597,917,627.73
Total Revenues	<u>40,893,843,217.20</u>	<u>2,736,797,705.14</u>	<u>15,774,138.68</u>	<u>43,646,415,061.02</u>
EXPENDITURES				
Payroll Related Costs	457,914,373.49			457,914,373.49
Professional Fees and Services	6,104,332.14	124,065.00		6,228,397.14
Materials and Supplies	258,000.48			258,000.48
Communications and Utilities	267,592.83			267,592.83
Repairs and Maintenance	1,741,100.16			1,741,100.16
Rentals and Leases	190,452.02			190,452.02
Claims and Judgments	20,246,119.36			20,246,119.36
State Grant Pass-Through Expenditure				
Intergovernmental Payments	282,983,251.18	39,582,040.30		322,565,291.48
Public Assistance Payments	149,637.15			149,637.15
Other Expenditures	84,169,790.05	58.81		84,169,848.86
Capital Outlay	584,079.89			584,079.89
Total Expenditures	<u>854,608,728.75</u>	<u>39,706,164.11</u>	<u>0.00</u>	<u>894,314,892.86</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>40,039,234,488.45</u>	<u>2,697,091,541.03</u>	<u>15,774,138.68</u>	<u>42,752,100,168.16</u>
OTHER FINANCING SOURCES (USES)				
Transfer In (Note 12)	1,805,289,010.67	5,154,744.96		1,810,443,755.63
Transfer Out (Note 12)	(17,189,465,292.23)	(2,701,069,112.88)	(15,755,864.08)	(19,906,290,269.19)
Legislative Transfer Out	(20,718,233,177.61)			(20,718,233,177.61)
Insurance Recoveries	(122,382.76)			(122,382.76)
Total Other Financing Sources (Uses)	<u>(36,102,531,841.93)</u>	<u>(2,695,914,367.92)</u>	<u>(15,755,864.08)</u>	<u>(38,814,202,073.93)</u>
Net Change in Fund Balances	3,936,702,646.52	1,177,173.11	18,274.60	3,937,898,094.23
FUND FINANCIAL STATEMENT – FUND BALANCES				
Fund Balances, September 1, 2011	620,899,056.89	24,550,910.80	0.00	645,449,967.69
Restatements (Note 14)	(265,843,863.86)			(265,843,863.86)
Fund Balances, September 1, 2011, as Restated	<u>355,055,193.03</u>	<u>24,550,910.80</u>	<u>0.00</u>	<u>379,606,103.83</u>
Fund Balances, August 31, 2012	<u>\$ 4,291,757,839.55</u>	<u>\$ 25,728,083.91</u>	<u>\$ 18,274.60</u>	<u>\$ 4,317,504,198.06</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

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EXHIBIT VI

**Combined Statement of Fiduciary Net Assets
Fiduciary Funds**

August 31, 2012

	Private-Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 4,819,955.24	\$ 845,807,704.31	\$ 850,627,659.55
Investments (Note 3):			
U.S. Government Obligations		41,554.94	41,554.94
Corporate Obligations		10,121.83	10,121.83
Corporate Equity		177,288,964.84	177,288,964.84
Pooled Investments		56,596,438.26	56,596,438.26
Other Investments		3,145,094.21	3,145,094.21
Receivables:			
Federal			
Interest and Dividends	1,667.92		1,667.92
Total Assets	<u>4,821,623.16</u>	<u>1,082,889,878.39</u>	<u>1,087,711,501.55</u>
LIABILITIES			
Payables:			
Accounts Payables	4,009,426.41		4,009,426.41
Intergovernmental Payables		791,321,854.54	791,321,854.54
Funds Held for Others		291,568,023.85	291,568,023.85
Deferred Revenues	17,479.83		17,479.83
Total Liabilities	<u>4,026,906.24</u>	<u>1,082,889,878.39</u>	<u>1,086,916,784.63</u>
NET ASSETS			
Held in Trust for:			
Individuals, Organizations, and Other Governments:	794,716.92		794,716.92
Total Net Assets	<u>\$ 794,716.92</u>	<u>\$ 0.00</u>	<u>\$ 794,716.92</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

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EXHIBIT VII

Combined Statement of Changes in Fiduciary Net Assets Fiduciary Funds

For the Fiscal Year Ended August 31, 2012

	Private-Purpose Trust Funds (Exhibit I-2)	Totals
ADDITIONS		
Contributions:		
Investment Income:		
From Investing Activities		
Interest and Investment Income	\$ 70,824.43	\$ 70,824.43
Total Investing Income	70,824.43	70,824.43
Other Additions		
Federal Revenue	7,231,905.12	7,231,905.12
Other Revenue		
Transfers-In (Note 12)	50,000,000.00	50,000,000.00
Total Other Additions	57,231,905.12	57,231,905.12
Total Additions	57,302,729.55	57,302,729.55
DEDUCTIONS		
Intergovernmental Payments	57,231,905.12	57,231,905.12
Transfers-Out (Note 12)		
Total Deductions	57,231,905.12	57,231,905.12
NET INCREASE (DECREASE)	70,824.43	70,824.43
Net Assets, September 1, 2011	723,892.49	723,892.49
Restatements		
Net Assets, September 1, 2011, as Restated	723,892.49	723,892.49
Net Assets – August 31, 2012	\$ 794,716.92	\$ 794,716.92

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller–Fiscal is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Comptroller of Public Accounts Reporting Requirements of State Agencies.

This report applies to those funds, which the State Comptroller of Public Accounts is statutorily required to expend, transfer, allocate or administer as trustee. Included are the funds and accounts over which the Comptroller exercises statutory administrative control, which includes revenues, collected for the benefit of others. The operating activity of the Comptroller of Public Accounts (Agency 304) is included in a separate section of this report.

There are no component units in which the Comptroller–Fiscal is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

Due to the significant changes related to 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 be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The General Fund is used to account for all financial resources of the state except those that must be accounted for in another fund. Listed below are the agency’s General Funds and their purpose.

General Revenue Fund 0001 – To receive those revenues directed to be deposited to the General Revenue Fund and those revenues for which a specific fund has not been designated; such revenues to be used as the Constitution prescribes and the Legislature directs.

County and Road District Highway Fund 0057 – To take care of outstanding county and road district indebtedness assumed by the State along with the highway system. The Fund also receives allocation of gasoline taxes up to \$7.3 million each fiscal year, which in turn is distributed to the counties of the State.

Law Enforcement Officer Standards and Education Fund 0116 – To receive court costs collected from defendants convicted under certain sections of the Penal Code.

Compensation to Victims of Crime Auxiliary Fund 0494 – This is used only for the payment of compensation to claimants under the Victims of Crime Act.

Economic Stabilization Fund 0599 – To receive transfer of one-half of any unencumbered positive balance in the General Revenue Fund (0001) as of the last day of the preceding biennium and any other money appropriated to the fund by the legislature. The fund may be used to eliminate temporary cash deficiency in the General Revenue Fund (0001).

Special Events Trust Fund 0836 – If special event plan is approved and host community selected as the site of a special event, comptroller shall deposit amount requested in the special event plan from state tax receipts as soon as practicable after the taxes are collected.

Other Events Trust Fund 0869 – Used to fulfill joint obligations of the state and endorsing municipality or county to a site selection organization under a games support contract.

Agency Trust and Suspense Fund 0900 – To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Revenue Funds or the General Revenue Fund, or refunded to the payer.

Sexual Assault Program Fund 5010 – Created to receive parole supervision and probation fees collected under arts. 42.12, 22(e) and art 42.18 8(p), C.C.P. and gifts, grants and money appropriated for grants to maintain or expand existing services.

Tobacco Settlement Fund 5040 – To receive settlement money resulting from the final judgment in the State of Texas. The American Tobacco Company, et. al., civil action no. 5:96cv91. These funds are distributed to appropriate agencies and funds as identified in the court ordered settlement.

Jobs and Education for Texans (JET) Fund No. 5143 – To award grants to expand existing programs and develop new programs that prepare students for careers in high-demand occupations, including start-up costs associated with career and technical education courses, and to provide scholarships for students in career and technical programs, entified in the court ordered settlement.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Listed below are the agency's Special Revenue Funds and their purpose.

State Highway Fund 0006 – This is used to collect amounts from gross weight and axle weight permit fees for distribution to counties as provided in VTCA, Transportation Code 621.353.

Property Tax Relief Fund 0304 – Special fund in the state treasury outside the general revenue fund. The proceeds of the fund are from allocations of the computation of motor vehicle sales tax, collection of all tobacco products tax increases and calculated amounts from franchise taxes. The intent of the fund will be to reduce school district property taxes.

Binding Arbitration Trust Fund 0838 – This is used to retain and pay the administrative costs in binding arbitration cases of property value appeals initiated by property owners. Monies are moved to this special revenue fund from the same agency fund for payment of administrative costs

International Fuels Tax Agreement (IFTA) Trust Fund 0886 – To receive motor fuels taxes estimated to be due to other jurisdictions or otherwise subject to refund during the fiscal year, penalties and interest on those taxes due other jurisdictions, licensing fees, and other costs collected under the agreement.

Habitat Protection Fund 9999 – This fund was established by the 82nd Legislature to support the development or coordination of the development of a habitat conservation plan or a candidate conservation plan or to pay the costs of monitoring or administering the implementation of such a plan. The fund consists primarily of donations and fees paid by entities or individuals who voluntarily enroll in such a plan.

PERMANENT FUND

Available National Research University Fund 0214 – To receive disbursements from the National Research University Fund held outside the treasury. The money is to be used by eligible institutions only for the support and maintenance of educational and general activities that promote increased research capacity at the institution.

FIDUCIARY FUNDS

Private-Purpose Trust Funds

Private-Purpose Trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments. Listed below are the agency's Private-Purpose Trust funds and their purpose.

Private-Purpose Tobacco Settlement Political Subdivision Trust Fund 0872 – To hold a portion of the tobacco settlement money designated for the exclusive benefit of political subdivisions and will be distributed to political subdivisions as directed in the settlement.

Flood Area School and Road Trust Account 0903 – To hold money allocated by the Federal Government to be distributed to counties and political subdivisions of the state based on the tax rate applied to lands acquired for flood purposes.

Agency Funds

Agency Funds are used to account for assets held as an agent for individuals, private organizations, and other government entities. These funds are custodial in nature and do not involve measurement of results of operations. Listed below are the agency's Agency Funds and their purpose.

Sporting Events for Municipality/County Trust Fund 0830 – For use by the comptroller to deposit a portion of the state and local sales tax, hotel and mixed beverage taxes for an approved major sporting or athletic event sanctioned by a site selection organization.

Fireworks Tax Securities Trust Fund 0862 – An applicant for a fireworks sales tax permit or for registration as a retailer must file adequate security for the payment of the taxes imposed by this chapter.

Customs Brokers Bond / Security Trust Fund 0866 – Created to hold bonds or securities from which the customs broker intends to issue exemption certificates.

Texas Racing Commission Security Trust Fund 0868 – Created to hold securities posted by each racing association as required by the comptroller rule to ensure payment of the state's portion of the pari-mutuel pool.

Other Events Trust Fund 0869 – To retain a portion of the state and local sales, hotel, and mixed beverage taxes, if a site is selected, in an amount as determined by the comptroller, to the presentation of a game and related events. Used to fulfill joint obligations of the state and endorsing municipality or county to a site selection organization under an event support contract.

Local Tax Collections for Sports / Community Venue Project Trust Fund 0874 – To hold taxes collected by the Comptroller under an inter-local contract for a local government until they are returned to the local government's venue project fund. Taxes are to be used for sports or community venue projects.

City, County, MTA and SPD Sales Tax Trust Account 0882 – To record the receipt of local sales and use tax collected by the Comptroller for each city, county, metropolitan transit authority and special purpose district authorizing the collection.

International Fuels Tax Agreement (IFTA) Guarantee Trust Fund 0884 – To hold in trust money or securities deposited with the Comptroller by participants in the International Fuels Tax Agreement.

Departmental Suspense Fund 0900 – To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Revenue Funds or the General Revenue Fund, or refunded to the payer.

Motor Fuel Distributors Bond Guaranty Trust Fund 0904 – To hold in trust money or securities deposited by motor fuel distributors, in lieu of surety bonds, to insure complete and faithful performance by the distributor of all conditions and requirements imposed upon him by the laws pertaining to motor fuel and motor fuel distributors.

Mixed Beverage Tax Guaranty Trust Fund 0906 – To hold in trust money or securities deposited by mixed beverage permit holders.

Sales Tax Guaranty Trust Fund 0962 – To receive cash and/or other negotiable securities pledged to guarantee payment of Sales Tax liabilities.

Direct Deposit Correction Fund 0980 – To hold money returned by financial institutions which had been transmitted for direct deposit where problems prevented credit are given to individual depositors until the agency issuing the original payment makes the correction by transferring the funds back to the original issuing fund or the person for whom the original payment was made is refunded the money.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. Governmental fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave, and the unmatured debt service (principal and interest) on general long-term debt, long-term capital leases, and long-term claims and judgments, which are not recognized until actual payment is made.

Budgets and Budgetary Accounting

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

Since the Comptroller reports the entire cash balance for the general fund, budgetary accounts are eliminated for the Annual Financial Report.

ASSETS, LIABILITIES AND FUND EQUITY

Assets

Taxes Receivables

Amounts shown as taxes receivable represent various state taxes due to the state at Aug. 31, 2012.

Liabilities

Accounts Payable

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

Other Liabilities

Other Liabilities represent intergovernmental taxes and the value of unclaimed property at the balance sheet date.

Deferred Revenue

Amounts shown as deferred revenue represent tax revenues earned but not available and resources received but not earned, ie., prepaid sales taxes, at Aug. 31, 2012. A breakdown by Tax Type is available on Schedule 5.

Fund Balance/Net Assets

The difference between fund assets and liabilities is ‘Net Assets’ on the government-wide and fiduciary fund statements and the ‘Fund Balance’ is the difference between fund assets and liabilities on the governmental fund statements.

Restricted Fund Balance

This fund balance is reported as restricted when constraints placed on the use of resources are either (a. externally imposed by laws and regulations of other governments or (b. imposed by law through constitutional provisions or enabling legislation.

Unassigned Fund Balance

This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned for specific purposes within the general fund. The general fund is the only fund that can report a positive unassigned fund balance.

INTERFUND TRANSACTIONS AND BALANCES

The Comptroller–Fiscal has the following transactions between and within state funds.

Transfers: Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.

NOTE 2: Capital Assets

Capital Assets are not shown on the Governmental Fund Financial Statements, but rather are included as governmental activities in the Government-wide Financial Statements. A summary of changes in Capital Assets for the year ended Aug. 31, 2012, is presented below:

	Balance 9/1/11	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/12
Depreciable Assets:						
Furniture and Equipment	\$ 4,391,938.89	\$	\$	\$	\$ (75,064.76)	\$ 4,316,874.13
Less Accumulated Depreciation	(2,109,238.28)			(698,181.80)	75,064.76	(2,732,355.32)
Depreciable Assets, Net	<u>2,282,700.61</u>	<u>0.00</u>	<u>0.00</u>	<u>(698,181.80)</u>	<u>0.00</u>	<u>1,584,518.81</u>
Computer Software	11,647,925.01			584,079.89	(3,407,548.81)	8,824,456.09
Less Accumulated Amortization	(9,658,304.50)			(1,499,707.03)	3,407,548.81	(7,750,462.72)
Amortizable Assets, Net	<u>1,989,620.51</u>	<u>0.00</u>	<u>0.00</u>	<u>(915,627.14)</u>	<u>0.00</u>	<u>1,073,993.37</u>
Total Capital Assets	<u>\$ 4,272,321.12</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (1,613,808.94)</u>	<u>\$ 0.00</u>	<u>\$ 2,658,512.18</u>

NOTE 3: Deposits, Investments & Repurchase Agreements

INVESTMENTS

As of Aug. 31, 2012, the carrying value and fair value of investments are as presented below.

Fiduciary Funds	Fair Value
U.S. Government Treasuries	\$ 17,112.25
U.S. Treasury Strips	3,622.18
U.S. Government Agency Obligations	20,820.51
Corporate Obligations	10,121.83
Equity	177,288,964.84
Fixed Income Money Market and Bond Mutual Funds	56,596,438.26
Miscellaneous	3,145,094.21
Total	<u>\$ 237,082,174.08</u>

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Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of Aug. 31, 2012, the agency’s credit risk quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's									
Fund Type	GAAP Fund	Investment Type	Market Value	Aaa	Aa	A	BBB	B	Not Rated
09	0001	Asset Back Security	\$ 4,121.64					\$ 4,121.64	
		U.S. Government Treasuries	17,112.25						
		U.S. Government Agencies	10,263.53			\$ 10,263.53			
		REFCo Strip	3,622.18						
		Govt Mortgage Backed Securities	10,556.98		\$ 10,556.98				
		Certificates of Deposit	243,375.63			243,375.63			
		Corporate Obligations	10,121.83		3,309.34		\$ 4,999.40	620.00	\$ 1,193.09
		Political Subdivisions	149,306.95	\$ 40,714.20	990.00	69,846.15	25,169.60		12,587.00
		Mutual Funds	3,264,724.18						3,264,724.18
			<u>\$ 3,713,205.17</u>	<u>\$ 40,714.20</u>	<u>\$ 14,856.32</u>	<u>\$ 323,485.31</u>	<u>\$ 30,169.00</u>	<u>\$ 4,741.64</u>	<u>\$ 3,278,504.27</u>
Fitch									
The agency does not use ratings provided by Fitch.									

DEPOSITS OF CASH IN BANK

As of Aug. 31, 2012, the carrying amount and the total bank balance of deposits was \$956,070.87. These deposits are from the Habitat Protection Fund’s activities and are held with the Texas Treasury Safekeeping Trust Company.

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Summary of Long Term Liabilities

(Not Applicable)

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Postemployment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year end, amounts to be received or paid are reported as Interfund Receivables or Interfund Payables, Advances From or Advances To, or Due From or Due To Other Funds. The agency experienced routine transfers with other state agen-

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cies, which were consistent with the activities of the fund making the transfer. Repayment or interfund balances will occur within one year from the date of the financial statement.

Interfund Transactions		Due From Other Funds		Due To Other Funds	
Agency	Fund				
Fund 0001:	320	0894	\$ 4,950.56	\$	
	320	0001	4,474.77		
	323	0001	71,239,027.71		
	323	1989	19,819,499.57		
	329	1000	467,143.50		
	360	0001	140,753.07		
	403	0110	250,062.26		
	403	0113	300,074.74		
	403	0116	10,434.24		
	411	5156	3,699,616.19		
	454	0003	978,056.42		
	455	0001	39,557.50		
	456	0996	318,616.02		
	457	1002	701,932.75		
	466	0826	132,270.34		
	504	1000	223,239.55		
	538	0001	2,911,290.56		
	608	0090	1,298,410.86		
	696	0018	7,098.56		
	802	0950	4,631,567.49		
	802	0010	12,116.00		
	903	0001	2,151,892.83		
	300	5003			3,213,862.52
	311	1900			5,497,461.42
	362	5025			573,118.44
	601	0006			197,597,417.44
	696	0014			54,537.07
	696	9000			13,378.56
	701	0002			65,865,805.81
Total Fund 0001:			<u>\$ 109,342,085.49</u>		<u>\$ 272,815,581.26</u>
Fund 0116:	407	0116	\$ 17,232,950.02	\$	
Fund 0494:	302	0494	\$	\$	86,740.00
Fund 5040:	529	5040	\$	\$	3,457,377.36
Fund 0214:	730	0214	\$	\$	7,877,932.04
Fund 0214:	733	0214	\$	\$	7,877,932.04
Total Due From/Due To (Exh 1)			<u>\$ 126,575,035.51</u>		<u>\$ 292,115,562.70</u>
Transfers		Transfers Out		Transfers In	
Agency	Fund				
Fund 0001:	103	0001	\$	\$	2,876.94
	105	0001			80.00
	211	0540			500,000.00
	229	0001			500.00
	241	0001			2,150.75
	241	0303			258,879.09
	300	0001			1,667,807.43
	300	0369			53.37
	302	0001			26,500,606.93
	302	0367			218.46
	302	0369			31.70
	302	1002			5,670.00
	303	0001			396,189.11

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Continued from the previous page

	Transfers		Transfers Out	Transfers In
	Agency	Fund		
Transfers	303	0003	\$	\$ 17,533.12
Fund 0001:	303	0301		10,746.43
(continued)	304	0369		33.73
	304	1369		145.31
	305	0544		344,585.00
	306	0369		100.00
	306	0666		15,609.65
	306	0777		63,561.74
	306	0999		34.06
	306	1003		113,153.97
	307	0001		507,738.12
	311	0577		27,997,833.66
	311	5577		1,415,290.79
	313	0001		4,647.42
	320	0001		4,318,048.21
	320	0369		9,198.56
	320	0894		4,950.56
	323	0001		114,799,138.42
	323	1989		21,836,552.62
	329	1114		1,079.26
	329	3000		3,813,736.00
	329	3055		720,000.00
	329	3056		30,000.00
	329	4059		7,271.98
	332	0001		2,457,394.26
	332	0066		1,824,072.92
	332	0369		17,748.22
	347	0001		15.37
	347	0507		813,906.37
	347	0720		854.92
	347	0748		20,624.95
	347	7007		680.36
	357	0001		16,048.75
	357	0369		188.02
	360	0001		140,753.07
	362	5025		45,431,754.14
	401	0001		52,586.59
	401	0369		723.36
	403	0110		270,873.06
	403	0113		329,632.12
	403	0116		13,912.32
	403	0700		1,099,521.00
	405	0001		1,832,309.95
	405	0369		28,036.44
	405	0908		3,523,092.24
	405	1001		23,013.99
	405	2101		1,492,970.26
	405	7000		78,734.26
	454	0004		23,765.16
	454	0008		436,615.75
	454	0011		35,987.00
	454	0036		11,225,215.02
	454	0369		3.45
	455	0001		323,815.53
	455	0370		0.45
	455	0371		44,486.30
	455	0715		76.07
	455	0716		100,408.54
	455	1370		205.25
	455	1507		210,216.81
	455	1508		156,412.87
	455	1527		12,705.55
	455	1540		562,682.80
	455	1543		359,019.27
	455	1544		35,010.42

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	Transfers		Transfers Out	Transfers In
	Agency	Fund		
Transfers	455	1553	\$	\$ 187,592.34
Fund 0001:	455	1554		2,110.63
(continued)	457	0858		703,344.00
	458	1103		40,920.76
	459	0859		1,319,800.00
	460	0860		373,900.00
	473	0369		264.42
	476	0597		1,500,000.00
	507	0001		73,786.00
	514	0001		1,270.00
	515	0001		41,395.50
	529	0001		294,122,755.84
	530	0001		840,941.19
	537	0001		18,699,412.45
	537	0005		77,339.92
	537	0369		97,902.74
	537	0543		4,410,601.91
	538	0001		11,348,763.06
	538	0107		574,696.03
	538	0369		1,034.23
	539	0001		76,777,724.59
	539	0369		26,114.73
	539	0543		1,366,690.49
	539	0857		87,582.77
	551	0001		343,418.64
	551	0007		12,264.18
	551	0369		4.87
	551	3702		5,141,254.37
	551	7002		214,075.88
	554	0001		347,837.00
	556	0001		59,163.70
	580	0001		290,563.83
	582	0010		147,546.20
	582	0027		5,425,282.19
	582	0040		3,726.90
	582	0369		56.87
	601	0001		2,571,578.17
	608	0001		21,498.75
	644	0001		77,293.85
	665	0001		6,817.90
	694	0001		52,907.38
	694	0103		3,907.29
	694	0104		5,620.15
	696	0014		548,738.18
	696	0369		444.02
	701	0001		1,540,335.56
	771	0001		21,581.25
	771	0369		17.73
	772	0001		(2,317.50)
	772	0369		202.95
	781	0001		1,275,354.25
	781	0369		1,296.16
	802	0010		104,650.28
	802	0012		9,657.24
	802	0013		225,000.00
	802	0016		295,153.58
	802	0369		121.50
	808	0001		6,210.00
	808	0369		1.45
	809	0001		125.19
	813	0001		959.00
	813	0369		2.85
	902	0886		132,585.20
	902	8300		430,227.71

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	Transfers		Transfers Out	Transfers In
	Agency	Fund		
Transfers	300	5003	\$ 33,448,943.40	\$
Fund 0001:	300	5106	824,761.06	
(concluded)	304	0001	1,000,000.00	
	323	0001	1,509,839,399.76	
	323	1989	267,350,984.00	
	347	0064	2,658,687.00	
	405	2153	5,673,810.87	
	454	0011	54,511,445.06	
	454	0036	79,629,722.55	
	454	0516	521,763.03	
	696	5060	226,343.52	
	701	0193	13,613,257,023.11	
	701	5135	20,000,000.00	
	802	0643	28,664,481.00	
	802	4673	420,937.00	
	802	5153	302,085.00	
	808	0139	5,089,121.00	
	902	0057	7,300,000.00	
	902	0599	1,087,635,776.78	
Total Fund 0001:			<u>\$16,718,355,284.14</u>	<u>\$ 710,353,233.89</u>
Fund 0057:	902	0001	\$	\$ 7,300,000.00
Fund 0116	407	0193	\$ 258,093.92	\$
Fund 0494:	302	0469	\$ 277,076.23	\$
Fund 0494:	302	0494	\$ 172,930.05	\$
Fund 0599:	902	0001	\$	\$ 1,087,635,776.78
Fund 0006	601	0006	\$	\$ 5,154,744.96
Fund 0830:	902	0001	\$ 430,227.71	\$
Fund 5010:	302	5010	\$ 831,544.86	\$
Fund 5040:	529	5040	\$ 469,140,135.32	\$
Fund 0304:	701	0193	\$ 2,700,936,527.68	\$
Fund 0886:	902	0001	\$ 132,585.20	\$
Fund 0214:	730	0214	\$ 7,877,932.04	\$
Fund 0214:	733	0214	\$ 7,877,932.04	\$
Total Transfers – (Exh. II)			<u>\$19,906,290,269.19</u>	<u>\$1,810,443,755.63</u>
Fund 2872:	311	0872	\$	\$ 50,000,000.00
Total Transfers – (Exh. VII)			<u>\$ 0.00</u>	<u>\$ 50,000,000.00</u>

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Assets

During fiscal 2012, adjustments were made which required the restatement of fund balance. Taxes receivable and deferred revenues were adjusted by the amounts indicated below to reflect a change in accounting method used to record these items.

	General Revenue Fund Fund 0001
Fund Balance/Equity, September 1, 2011	\$(4,743,751,915.23)
Restatements:	
a. Taxes Receivable	(267,547,123.14)
b. Deferred Revenues	1,703,259.28
Net Restatements	<u>(265,843,863.86)</u>
Fund Balance/Equity, September 1, 2011 as Restated	<u>\$ (5,009,595,779.09)</u>

NOTE 15: Contingent Liabilities

PROTEST TAX PAYMENTS:

As of Aug. 31, 2012, pending litigation filed by taxpayers seeking refunds of state taxes total \$113.4 million. The taxes protested include sales, franchise, insurance and other taxes. Although the outcome of these cases cannot presently be determined, adverse ruling in some of them could result in significant additional refunds.

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

The General Revenue Fund 0001 cash balance decreased from \$(2.7) billion balance in fiscal 2011 to \$(3.7) billion in fiscal 2012. The decrease is attributable to the net effect increase in total revenue of \$1.9 billion and a \$2.9 billion in net expenditures and other transfers from general funds. This agency provides legislative funding for state-wide agency's expenditures and this is reflected in its legislative transfers-out. As disclosed in Note 27, a portion of the accrued taxes reported in this agency's report will not be finalized until the CAFR is completed.

The Economic Stabilization Fund (ESF), with net transfers in of \$1.1 billion from the general revenue fund, had an ending cash balance of \$6.1 billion. The Texas Constitution mandates that if oil or natural gas taxes exceed the net amount received in fiscal 1987, an amount equal to 75 percent of the excess must be transferred to the state's ESF from the general revenue fund. In addition to the oil and gas transfer, one half of any unencumbered balance in fund 0001 at the close of the biennium must be transferred to the ESF. The transfer is made in the subsequent year, thus in fiscal year 2011, both oil and gas taxes exceeded the amount collected in fiscal 1987 and fund 0001 had an unencumbered balance, resulting in a transfer in of \$1.1 billion in fiscal 2012. There were no transfers out in fiscal 2012 from the ESF to the general revenue fund.

The Property Tax Relief Fund had no ending cash balance. This year's revenues of \$2.7 billion was transferred out to the Foundation School Fund 193 to pay for property tax relief.

Tax collections, the major source of revenue reported in this agency experienced a 13.4% increase from fiscal 2011. This was a result of statewide increases in Sales Taxes (12.6%), Franchise Taxes (16.1%), Motor Vehicle Sales/Rental Taxes (19.5%), Natural Gas Production Tax (38.3%) and other increases in the remaining taxes. Oil production and regulation taxes, however, had a significant increase of 42.8% from fiscal 2011. Interest and Investment Income on a statewide basis was up for the first time in four years, increasing 6.2% from fiscal 2011. This category accounted for 1.2 percent of total net revenue.

NOTE 19: The Financial Reporting Entity

There were no significant related party transactions in agency 902 in fiscal 2012.

NOTE 20: Stewardship, Compliance and Accountability

This section of the report reflects the activities of the Comptroller–Fiscal function (Agency 902) in the General Revenue Fund (0001), the Economic Stabilization Fund (0599), the Flood Area School and Road Expendable Trust Fund (0903), and other funds. The entire activity of the State’s General Revenue Fund will be reflected in the State of Texas Comprehensive Annual Financial Report for the Year Ended Aug. 31, 2012.

NOTE 21: Tobacco Settlement

The state of Texas settled a lawsuit against certain tobacco manufacturers in 1998. The settlement included monetary and injunctive relief. The settling tobacco manufacturers agreed to remit annual payments to the state. Estimates made at the time of the agreement projected that these payments could total \$15.1 billion over the first 25 years of the agreement. The court-ordered annual payment amounts are subject to adjustments on the tobacco companies’ domestic cigarette sales, the general consumer inflation rate, the profitability of the tobacco companies and any other court-ordered factors. A revenue accrual and deferred revenue of \$295.79 million has been calculated on estimated sales from Jan. 1 to the end of the fiscal year. Tobacco settlement revenues were \$483.5 million in fiscal 2011 and \$474.6 million in fiscal 2012. Cumulative actual tobacco settlement revenues as of fiscal 2012 were \$7.6 billion.

NOTE 22: Donor-Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivables and Payables

See Note 1 for disaggregation of Other Payables.

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

NOTE 27: Taxes Receivables/Payables

A. Taxes Receivable

The Comptroller-Fiscal collects certain taxes for the State of Texas. Taxes receivable represent amounts due to the State at August 31, for revenues earned in the current fiscal year that will be collected in the future. The receivables have been recorded net of allowances for uncollectible accounts. Revenue is recorded on the governmental fund financial statements using the modified accrual basis of accounting for amounts due to the State of Texas at August 31 that are considered as “available” (e.g. received by the State within approximately 60 days after that date). Revenue earned but not “available” at August 31 is recorded as deferred revenue. Prepaid taxes are also recorded as deferred revenue.

On the government-wide financial statements a corresponding amount is recorded as revenue using the accrual basis of accounting, which includes revenue earned at fiscal year end regardless if it is available. Deferred revenue includes only the prepaid taxes that have not been earned by fiscal year end. Taxes receivable are the same for both modified and full accrual basis.

Taxes receivable have been netted against any refunds payable and estimated uncollectable taxes with the exception of the Franchise Tax and Oil and Gas Production Tax. Refunds payable will be shown separately for the Franchise Tax and Oil and

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Gas Production Taxes. The full accrual basis is reported on the government-wide financial statements in the State of Texas Comprehensive Annual Financial Report.

As of Nov. 20, 2012, the taxes receivable and deferred revenue balances for the Franchise Tax had not been finalized. The Franchise Tax Revenue and Tax Receivable will be finalized after the final returns for the tax due May 15, 2012, are processed. The tax returns are due Nov. 15, 2012. Adjustments will be made if necessary prior to publication of the CAFR.

Taxes receivable, as reported in the General Fund (Exhibit I), are detailed by tax type as follows:

Tax Type	Net Taxes Receivable
Sales and Use Tax	\$ 1,550,482,891.27
Motor Vehicle & MFG Housing	133,373,931.66
Motor Fuels	7,256,027.32
Oil & Natural Gas Production	360,806,507.13
Franchise	13,490,657.72
Insurance	200,287,488.37
Cigarette & Tobacco	19,736,060.85
Other	160,653,284.45
Total Net Taxes Receivable	<u>\$ 2,446,086,848.77</u>
As Reported on the Financial Statements	
Current Taxes Receivable	\$ 2,591,162,519.19
Noncurrent Taxes Receivable	127,144,985.01
Total Taxes Receivable	<u>\$ 2,718,307,504.20</u>
Refunds Payable	<u>\$ (272,220,655.43)</u>
Total Net Taxes Receivable	<u>\$ 2,446,086,848.77</u>

NOTE 28: Contested Taxes

Taxpayers may petition for a formal hearing before an independent administrative law judge if they wish to challenge a tax liability assessed by the state. If the request for a determination hearing is received within a specified time, the taxpayer does not have to pay the tax until a final decision is reached. Collectability of these assessments is dependent upon the decisions of administrative law judges. These assessments are not recognized as tax revenue until the administrative hearing is final. Therefore, these amounts are not included in the receivables reported in the financial statements. As of Aug. 31, 2012, the redetermination hearings process had an estimated \$1.3 billion.

NOTE 29: Deferred Revenue

The deferred revenue in general revenue of \$520 million consists of \$80 million tax prepayments that have not been earned, and \$440 million revenues earned but not available to finance expenditures of the current fiscal period.

NOTE 30: Unclaimed Property

The state holds certain property that is escheated to the state in the absence of legal claimants or heirs. Although a rightful owner can reclaim escheat property unto perpetuity, large portions of escheated property are never reclaimed. Additionally, the revenue generated from escheat property has always exceeded the amount needed to pay current claims. In fiscal year 2012, the unclaimed property fund received \$405 million of gross revenues, made \$164 million of claimant payments and transferred \$241 million to the general fund. The claimant liability in the general fund of \$206 million represents the probable amount that will be reclaimed and paid to claimants in the following year. As of Aug. 31, 2012, a balance of \$237 million in marketable securities and mutual funds were held in trust. The state also holds an insignificant amount of personal property such as jewelry.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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EXHIBIT A-1

Combining Balance Sheet – All General and Consolidated Funds

August 31, 2012

	Consolidated Funds				
	General Revenue Fund (0001) U/F (0001, 9000)	County & Road District Highway Fund (0057) U/F (0057)	Law Enforcement Standards/Edu Fd (0116) U/F (0116)	Compensation Victims Crime Fd (0494) U/F (0494)	Economic Stabilization Fd (0599) U/F (0599)
	ASSETS				
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$ (3,705,935,469.50)	\$ 229,118.53	\$	\$ 8,329,401.99	\$ 6,133,372,567.54
Receivables:					
Accounts					
Interest and Dividends				3,001.22	2,240,481.65
Taxes (Note 27)	2,591,162,519.19				
Due From Other Agencies (Note 12)	109,342,085.49		17,232,950.02		
Total Current Assets	<u>(1,005,430,864.82)</u>	<u>229,118.53</u>	<u>17,232,950.02</u>	<u>8,332,403.21</u>	<u>6,135,613,049.19</u>
Non-Current Assets:					
Taxes Receivable (Note 27)	127,144,985.01				
Total Non-Current Assets	<u>127,144,985.01</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Assets	<u>\$ (878,285,879.81)</u>	<u>\$ 229,118.53</u>	<u>\$ 17,232,950.02</u>	<u>\$ 8,332,403.21</u>	<u>\$ 6,135,613,049.19</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts	\$ 222,819.17		\$	\$	\$
Federal	284,547.00				
Other Intergovernmental	26,476,289.74				
Unclaimed Property Claimant Liabilities	206,851,798.18				
Taxes Refund Payable	272,220,655.43				
Due To Other Agencies (Note 12)	272,815,581.26			86,740.00	
Deferred Revenues	519,900,202.10				
Total Current Liabilities	<u>1,298,771,892.88</u>	<u>0.00</u>	<u>0.00</u>	<u>86,740.00</u>	<u>0.00</u>
Total Liabilities	<u>1,298,771,892.88</u>	<u>0.00</u>	<u>0.00</u>	<u>86,740.00</u>	<u>0.00</u>
FUND FINANCIAL STATEMENT – FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable for Long-Term Taxes Receivable	127,144,985.01				
Restricted		229,118.53		8,245,663.21	
Committed			17,232,950.02		
Assigned					
Unassigned	<u>(2,304,202,757.70)</u>				<u>6,135,613,049.19</u>
Total Fund Balances	<u>(2,177,057,772.69)</u>	<u>229,118.53</u>	<u>17,232,950.02</u>	<u>8,245,663.21</u>	<u>6,135,613,049.19</u>
Total Liabilities and Fund Balances	<u>\$ (878,285,879.81)</u>	<u>\$ 229,118.53</u>	<u>\$ 17,232,950.02</u>	<u>\$ 8,332,403.21</u>	<u>\$ 6,135,613,049.19</u>

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Consolidated Funds						Total
Sporting Events Trust Fund (0830) U/F (8300)	Special Events Trust Fund (0836) U/F (0836)	Other Events Trust Fund (0869) U/F (0869)	Sexual Assault Program (5010) U/F (5010)	Tobacco Settlement Temporary Hold (5040) U/F (5040)	Jobs & Education for Texas 5143 U/F (5143)	(Exhibit I) 2012
\$ 13,085,242.69	\$	\$ 5,546,449.45	\$	\$ 284,084,356.67	\$ 8,237,610.73	\$ 2,746,949,278.10
				295,678,666.67		295,678,666.67
					3,009.11	2,246,491.98
						2,591,162,519.19
						126,575,035.51
<u>13,085,242.69</u>	<u>0.00</u>	<u>5,546,449.45</u>	<u>0.00</u>	<u>579,763,023.34</u>	<u>8,240,619.84</u>	<u>5,762,611,991.45</u>
						127,144,985.01
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>127,144,985.01</u>
<u>\$ 13,085,242.69</u>	<u>\$ 0.00</u>	<u>\$ 5,546,449.45</u>	<u>\$ 0.00</u>	<u>\$ 579,763,023.34</u>	<u>\$ 8,240,619.84</u>	<u>\$ 5,889,756,976.46</u>
\$	\$	\$	\$	\$	\$	\$ 222,819.17
						284,547.00
						26,476,289.74
						206,851,798.18
						272,220,655.43
				3,457,377.36		276,359,698.62
				295,683,126.67		815,583,328.77
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>299,140,504.03</u>	<u>0.00</u>	<u>1,597,999,136.91</u>
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>299,140,504.03</u>	<u>0.00</u>	<u>1,597,999,136.91</u>
						127,144,985.01
				280,622,519.31		289,097,301.05
13,085,242.69		5,546,449.45			8,240,619.84	44,105,262.00
						3,831,410,291.49
<u>13,085,242.69</u>	<u>0.00</u>	<u>5,546,449.45</u>	<u>0.00</u>	<u>280,622,519.31</u>	<u>8,240,619.84</u>	<u>4,291,757,839.55</u>
<u>\$ 13,085,242.69</u>	<u>\$ 0.00</u>	<u>\$ 5,546,449.45</u>	<u>\$ 0.00</u>	<u>\$ 579,763,023.34</u>	<u>\$ 8,240,619.84</u>	<u>\$ 5,889,756,976.46</u>

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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 Funds				
	General Revenue Fund (0001) U/F (0001, 9000)	County & Road District Highway Fund (0057) U/F (0057)	Law Enforcement Standards/Edu Fd (0116) U/F (0116)	Compensation Victims Crime Fd (0494) U/F (0494)	Economic Stabilization Fd (0599) U/F (0599)
REVENUES					
Taxes	\$ 38,553,212,557.04	\$	\$	\$	\$
Licenses, Fees & Permits	1,148,756,872.97		6,164,195.63		
Interest and Other Investment Income	(33,322,062.88)			37,821.73	32,211,526.16
Land Income	24,237,749.28				
Settlement of Claims	58,068,796.12			2,763,510.07	
Sales of Goods and Services	53,337,554.02				
Other	547,361,000.69		5,351.69		
Total Revenues	<u>40,351,652,467.24</u>	<u>0.00</u>	<u>6,169,547.32</u>	<u>2,801,331.80</u>	<u>32,211,526.16</u>
EXPENDITURES					
Payroll Related Costs	457,914,373.49				
Professional Fees and Services	6,104,332.14				
Materials and Supplies	258,000.48				
Communications and Utilities	267,592.83				
Repairs and Maintenance	1,741,100.16				
Rentals and Leases	190,452.02				
Claims and Judgments	20,225,440.26			16,219.10	
State Grant Pass-Through Expenditure					
Intergovernmental Payments	221,152,051.75	7,300,000.00			
Public Assistance Payments	149,637.15				
Other Expenditures	84,169,790.05				
Capital Outlay	584,079.89				
Total Expenditures	<u>792,756,850.22</u>	<u>7,300,000.00</u>	<u>0.00</u>	<u>16,219.10</u>	<u>0.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,558,895,617.02</u>	<u>(7,300,000.00)</u>	<u>6,169,547.32</u>	<u>2,785,112.70</u>	<u>32,211,526.16</u>
OTHER FINANCING SOURCES (USES)					
Transfer In (Note 12)	710,353,233.89	7,300,000.00			1,087,635,776.78
Transfer Out (Note 12)	(16,718,355,284.14)		(258,093.92)	(450,006.28)	
Legislative Transfer Out	(20,718,233,177.61)				
Insurance Recoveries	(122,382.76)				
Total Other Financing Sources (Uses)	<u>(36,726,357,610.62)</u>	<u>7,300,000.00</u>	<u>(258,093.92)</u>	<u>(450,006.28)</u>	<u>1,087,635,776.78</u>
Net Change in Fund Balances	<u>2,832,538,006.40</u>	<u>0.00</u>	<u>5,911,453.40</u>	<u>2,335,106.42</u>	<u>1,119,847,302.94</u>
FUND FINANCIAL STATEMENT – FUND BALANCES					
Fund Balances, September 1, 2011	(4,743,751,915.23)	229,118.53	11,321,496.62	5,910,556.79	5,015,765,746.25
Restatements (Note 14)	(265,843,863.86)				
Fund Balances, September 1, 2011, as Restated	<u>(5,009,595,779.09)</u>	<u>229,118.53</u>	<u>11,321,496.62</u>	<u>5,910,556.79</u>	<u>5,015,765,746.25</u>
Fund Balances, August 31, 2012	<u>\$ (2,177,057,772.69)</u>	<u>\$ 229,118.53</u>	<u>\$ 17,232,950.02</u>	<u>\$ 8,245,663.21</u>	<u>\$ 6,135,613,049.19</u>

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Consolidated Funds						Total
Sporting Events Trust Fund (0830) U/F (8300)	Special Events Trust Fund (0836) U/F (0836)	Other Events Trust Fund (0869) U/F (0869)	Sexual Assault Program (5010) U/F (5010)	Tobacco Settlement Temporary Hold (5040) U/F (5040)	Jobs & Education for Texas 5143 U/F (5143)	(Exhibit II) 2012
\$ 20,931,437.83	\$	\$ 4,623,613.00	\$ 831,544.86	\$	\$	\$ 38,578,767,607.87
						1,155,752,613.46
					53,120.76	(1,019,594.23)
				474,559,651.80		24,237,749.28
						535,391,957.99
						53,337,554.02
				8,976.43		547,375,328.81
<u>20,931,437.83</u>	<u>0.00</u>	<u>4,623,613.00</u>	<u>831,544.86</u>	<u>474,568,628.23</u>	<u>53,120.76</u>	<u>40,893,843,217.20</u>
						457,914,373.49
						6,104,332.14
						258,000.48
						267,592.83
						1,741,100.16
						190,452.02
				4,460.00		20,246,119.36
23,231,695.53		26,276,824.19			5,022,679.71	282,983,251.18
						149,637.15
						84,169,790.05
						584,079.89
<u>23,231,695.53</u>	<u>0.00</u>	<u>26,276,824.19</u>	<u>0.00</u>	<u>4,460.00</u>	<u>5,022,679.71</u>	<u>854,608,728.75</u>
(2,300,257.70)	0.00	(21,653,211.19)	831,544.86	474,564,168.23	(4,969,558.95)	40,039,234,488.45
(430,227.71)			(831,544.86)	(469,140,135.32)		1,805,289,010.67
						(17,189,465,292.23)
						(20,718,233,177.61)
						(122,382.76)
<u>(430,227.71)</u>	<u>0.00</u>	<u>0.00</u>	<u>(831,544.86)</u>	<u>(469,140,135.32)</u>	<u>0.00</u>	<u>(36,102,531,841.93)</u>
<u>(2,730,485.41)</u>	<u>0.00</u>	<u>(21,653,211.19)</u>	<u>0.00</u>	<u>5,424,032.91</u>	<u>(4,969,558.95)</u>	<u>3,936,702,646.52</u>
15,815,728.10		27,199,660.64		275,198,486.40	13,210,178.79	620,899,056.89
						(265,843,863.86)
<u>15,815,728.10</u>	<u>0.00</u>	<u>27,199,660.64</u>	<u>0.00</u>	<u>275,198,486.40</u>	<u>13,210,178.79</u>	<u>355,055,193.03</u>
<u>\$ 13,085,242.69</u>	<u>\$ 0.00</u>	<u>\$ 5,546,449.45</u>	<u>\$ 0.00</u>	<u>\$ 280,622,519.31</u>	<u>\$ 8,240,619.84</u>	<u>\$ 4,291,757,839.55</u>

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UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT B-1

Combining Balance Sheet – Special Revenue Funds

August 31, 2012

	Property Tax Relief Fund (0304) U/F (0304)	Binding Arbitration Trust Fund (0838) U/F (8380)	International Fuels Tax Agreement Trust Fund (0886) U/F (0886)	Habitat Protection Fund (9999) U/F (2999)	Total (Exhibit I) 2012
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	\$	\$ 1,000.00	\$ 24,967,911.98	\$	\$ 24,968,911.98
Cash in Bank				956,070.87	956,070.87
Receivables From:					
Interest and Dividends	17,935.70				17,935.70
Due From Other Agencies (Note 12)					
Total Current Assets	<u>17,935.70</u>	<u>1,000.00</u>	<u>24,967,911.98</u>	<u>956,070.87</u>	<u>25,942,918.55</u>
Total Assets	<u>\$ 17,935.70</u>	<u>\$ 1,000.00</u>	<u>\$ 24,967,911.98</u>	<u>\$ 956,070.87</u>	<u>\$ 25,942,918.55</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Accounts Payable	\$	\$	\$	\$ 214,834.64	\$ 214,834.64
Due to Other Agencies (Note 12)					
Total Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>214,834.64</u>	<u>214,834.64</u>
Total Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>214,834.64</u>	<u>214,834.64</u>
FUND FINANCIAL STATEMENT –					
FUND BALANCES					
Fund Balances (Deficits):					
Restricted				741,236.23	741,236.23
Committed	17,935.70	1,000.00	24,967,911.98		24,986,847.68
Total Fund Balances	<u>17,935.70</u>	<u>1,000.00</u>	<u>24,967,911.98</u>	<u>741,236.23</u>	<u>25,728,083.91</u>
Total Liabilities and Fund Balances	<u>\$ 17,935.70</u>	<u>\$ 1,000.00</u>	<u>\$ 24,967,911.98</u>	<u>\$ 956,070.87</u>	<u>\$ 25,942,918.55</u>

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT B-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds

For the Fiscal Year Ended August 31, 2012

	State Highway Fund (0006) U/F (0006)	Property Tax Relief Fund (0304) U/F (0304)	Binding Arbitration Trust Fund (0838) U/F (8380)	International Fuels Tax Agreement Trust Fund (0886) U/F (0886)	Habitat Protection Fund (9999) U/F (2999)	Total (Exhibit II) 2012
REVENUES						
Taxes	\$	\$ 2,699,968,695.73	\$	\$	\$	\$ 2,699,968,695.73
Licenses, Fees & Permits					965,724.40	965,724.40
Interest and Other Investment Income		943,943.64		132,585.20	321.33	1,076,850.17
Other			124,165.00	34,662,269.84		34,786,434.84
Total Revenues	<u>0.00</u>	<u>2,700,912,639.37</u>	<u>124,165.00</u>	<u>34,794,855.04</u>	<u>966,045.73</u>	<u>2,736,797,705.14</u>
EXPENDITURES						
Intergovernmental Payments	5,154,744.96			34,202,544.65	224,750.69	39,582,040.30
Professional Fees and Services			124,065.00			124,065.00
Claims and Judgments						
Other Expenditures					58.81	58.81
Total Expenditures	<u>5,154,744.96</u>	<u>0.00</u>	<u>124,065.00</u>	<u>34,202,544.65</u>	<u>224,809.50</u>	<u>39,706,164.11</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,154,744.96)</u>	<u>2,700,912,639.37</u>	<u>100.00</u>	<u>592,310.39</u>	<u>741,236.23</u>	<u>2,697,091,541.03</u>
OTHER FINANCING SOURCES (USES)						
Transfer In (Note 12)	5,154,744.96					5,154,744.96
Transfer Out (Note 12)		(2,700,936,527.68)		(132,585.20)		(2,701,069,112.88)
Total Other Financing Sources (Uses)	<u>5,154,744.96</u>	<u>(2,700,936,527.68)</u>	<u>0.00</u>	<u>(132,585.20)</u>	<u>0.00</u>	<u>(2,695,914,367.92)</u>
Net Change in Fund Balances	<u>0.00</u>	<u>(23,888.31)</u>	<u>100.00</u>	<u>459,725.19</u>	<u>741,236.23</u>	<u>1,177,173.11</u>
FUND FINANCIAL STATEMENT – FUND BALANCES						
Fund Balances, September 1, 2011		41,824.01	900.00	24,508,186.79		24,550,910.80
Restatements (Note 14)						
Fund Balances, September 1, 2011, as Restated	<u>0.00</u>	<u>41,824.01</u>	<u>900.00</u>	<u>24,508,186.79</u>	<u>0.00</u>	<u>24,550,910.80</u>
Fund Balances, August 31, 2012	<u>\$ 0.00</u>	<u>\$ 17,935.70</u>	<u>\$ 1,000.00</u>	<u>\$ 24,967,911.98</u>	<u>\$ 741,236.23</u>	<u>\$ 25,728,083.91</u>

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

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT I-1

**Combining Statement of Fiduciary Net Assets –
Private-Purpose Trust Funds**

August 31, 2012

	Private Purpose Tobacco Settlement Political Subdivision Trust (0872) U/F (2872)	Federal Resource Receipt Distribution Fund (0521) U/F (0521)	Private Purpose Flood Area School and Road Trust Fund (0903) U/F (0903)	Total (Exhibit VI) 2012
ASSETS				
Cash and Cash Equivalents:				
Cash in State Treasury	\$	\$ 17,479.83	\$ 4,802,475.41	\$ 4,819,955.24
Receivables:				
Federal				
Interest and Dividends			1,667.92	1,667.92
Total Assets	<u>0.00</u>	<u>17,479.83</u>	<u>4,804,143.33</u>	<u>4,821,623.16</u>
LIABILITIES				
Accounts Payable				
Deferred Revenues		17,479.83	4,009,426.41	4,009,426.41
Total Liabilities	<u>0.00</u>	<u>17,479.83</u>	<u>4,009,426.41</u>	<u>4,026,906.24</u>
NET ASSETS				
Held In Trust For:				
Individuals, Organizations, and				
Other Governments				
Total Net Assets	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 723,892.49</u>	<u>\$ 723,892.49</u>

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT I-2

**Combining Statement of Changes in Fiduciary Net Assets –
Private-Purpose Trust Funds**

For the Fiscal Year Ended August 31, 2012

	Private Purpose Tobacco Settlement Political Subdivision Trust (0872) U/F (2872)	Private Purpose Flood Area School and Road Trust Fund (0903) U/F (0903)	Total (Exhibit VII) 2012
ADDITIONS			
Contributions:			
Investment Income:			
From Investing Activities			
Interest and Investment Income	\$ 0.00	\$ 70,824.43	\$ 70,824.43
Total Investment Income	<u>0.00</u>	<u>70,824.43</u>	<u>70,824.43</u>
Other Additions:			
Federal Revenue		7,231,905.12	7,231,905.12
Other Revenue			
Transfers-In (Note 12)	50,000,000.00		50,000,000.00
Total Other Additions	<u>50,000,000.00</u>	<u>7,231,905.12</u>	<u>57,231,905.12</u>
Total Additions	<u>50,000,000.00</u>	<u>7,302,729.55</u>	<u>57,302,729.55</u>
DEDUCTIONS			
Intergovernmental Payments	50,000,000.00	7,231,905.12	57,231,905.12
Transfers-Out (Note 12)			
Total Deductions	<u>50,000,000.00</u>	<u>7,231,905.12</u>	<u>57,231,905.12</u>
NET INCREASE (DECREASE)	<u>0.00</u>	<u>70,824.43</u>	<u>70,824.43</u>
Net Assets, September 1, 2011	0.00	723,892.49	723,892.49
Restatements (Note 14)	0.00	0.00	0.00
Net Assets, September 1, 2011, as Restated	<u>0.00</u>	<u>723,892.49</u>	<u>723,892.49</u>
Net Assets – August 31, 2012	<u>\$ 0.00</u>	<u>\$ 794,716.92</u>	<u>\$ 794,716.92</u>

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance Sept. 1, 2011	Additions	Deductions	Ending Balance Aug. 31, 2012
General Revenue Fund (0001) – Unclaimed Property Securities Receipts (U/F 4113)				
ASSETS				
Investments:				
U.S. Government & Agency Obligations (Note 3)	\$ 76,159.15	\$ 41,554.94	\$ 76,159.15	\$ 41,554.94
Corporate Obligations (Note 3)	16,217.58	10,121.83	16,217.58	10,121.83
Corporate Equity (Note 3)	129,365,373.00	177,288,964.84	129,365,373.00	177,288,964.84
Pooled Investments Note 3)	59,386,459.42	56,596,438.26	59,386,459.42	56,596,438.26
Other Investments (Note 3)	2,377,537.93	3,145,094.21	2,377,537.93	3,145,094.21
Total Assets	<u>\$ 191,221,747.08</u>	<u>\$ 237,082,174.08</u>	<u>\$ 191,221,747.08</u>	<u>\$ 237,082,174.08</u>
LIABILITIES				
Funds Held for Others	\$ 191,221,747.08	\$ 237,082,174.08	\$ 191,221,747.08	\$ 237,082,174.08
Total Liabilities	<u>\$ 191,221,747.08</u>	<u>\$ 237,082,174.08</u>	<u>\$ 191,221,747.08</u>	<u>\$ 237,082,174.08</u>
OTHER AGENCY FUNDS				
Sporting Events for Municipality/County Trust Fund (0830) U/F (0830)				
ASSETS				
Cash in State Treasury	\$ 3,115,880.74	\$ 3,961,098.75	\$ 4,496,126.05	\$ 2,580,853.44
Total Assets	<u>\$ 1,524,499.20</u>	<u>\$ 3,961,098.75</u>	<u>\$ 4,496,126.05</u>	<u>\$ 2,580,853.44</u>
LIABILITIES				
Funds Held for Others	\$ 3,115,880.74	\$ 3,961,098.75	\$ 4,496,126.05	\$ 2,580,853.44
Total Liabilities	<u>\$ 1,524,499.20</u>	<u>\$ 3,961,098.75</u>	<u>\$ 4,496,126.05</u>	<u>\$ 2,580,853.44</u>
Binding Arbitration Trust Fund (0838) U/F (0838)				
ASSETS				
Cash in State Treasury	\$ 126,440.00	\$ 489,391.68	\$ 494,766.68	\$ 121,065.00
Total Assets	<u>\$ 127,500.00</u>	<u>\$ 489,391.68</u>	<u>\$ 494,766.68</u>	<u>\$ 121,065.00</u>
LIABILITIES				
Funds Held for Others	\$ 126,440.00	\$ 489,391.68	\$ 494,766.68	\$ 121,065.00
Total Liabilities	<u>\$ 127,500.00</u>	<u>\$ 489,391.68</u>	<u>\$ 494,766.68</u>	<u>\$ 121,065.00</u>
Fireworks Tax Security Trust Account (0862) U/F (0862)				
ASSETS				
Cash in State Treasury	\$ 850.00	\$ 850.00	\$ 950.00	\$ 750.00
Total Assets	<u>\$ 5,425.00</u>	<u>\$ 850.00</u>	<u>\$ 950.00</u>	<u>\$ 750.00</u>
LIABILITIES				
Funds Held for Others	\$ 850.00	\$ 850.00	\$ 950.00	\$ 750.00
Total Liabilities	<u>\$ 5,425.00</u>	<u>\$ 850.00</u>	<u>\$ 950.00</u>	<u>\$ 750.00</u>
Custom Brokers Bond/Security Trust Fund (0866) U/F (0866)				
ASSETS				
Cash in State Treasury	\$ 10,000.00	\$ 20,000.00	\$ 15,000.00	\$ 15,000.00
Total Assets	<u>\$ 10,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>
LIABILITIES				
Funds Held for Others	\$ 10,000.00	\$ 20,000.00	\$ 15,000.00	\$ 15,000.00
Total Liabilities	<u>\$ 10,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>

Continued on the following page

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT J-1 (continued)

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance Sept. 1, 2011	Additions	Deductions	Ending Balance Aug. 31, 2012
Texas Racing Commission Security Trust Fund (0868) U/F (0868)				
ASSETS				
Cash in State Treasury	\$ 8,800.00	\$ 8,800.00	\$ 8,800.00	\$ 8,800.00
Total Assets	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>
LIABILITIES				
Funds Held for Others	\$ 8,800.00	\$ 8,800.00	\$ 8,800.00	\$ 8,800.00
Total Liabilities	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>	<u>\$ 8,800.00</u>
Other Events Trust Fund (0869) U/F (0869)				
ASSETS				
Cash in State Treasury	\$ 4,351,945.83	\$ 739,781.00	\$ 4,204,292.67	\$ 887,434.16
Total Assets	<u>\$ 4,351,945.83</u>	<u>\$ 739,781.00</u>	<u>\$ 4,204,292.67</u>	<u>\$ 887,434.16</u>
LIABILITIES				
Funds Held for Others	\$ 4,351,945.83	\$ 739,781.00	\$ 4,204,292.67	\$ 887,434.16
Total Liabilities	<u>\$ 4,351,945.83</u>	<u>\$ 739,781.00</u>	<u>\$ 4,204,292.67</u>	<u>\$ 887,434.16</u>
Local Tax Collections For Sports/Community Venue Project Trust Fund (0874) U/F (0874)				
ASSETS				
Cash in State Treasury	\$ 3,831,168.29	\$ 47,193,908.79	\$ 47,094,786.95	\$ 3,930,290.13
Total Assets	<u>\$ 3,831,168.29</u>	<u>\$ 47,193,908.79</u>	<u>\$ 47,094,786.95</u>	<u>\$ 3,930,290.13</u>
LIABILITIES				
Funds Held for Others	\$ 3,831,168.29	\$ 47,193,908.79	\$ 47,094,786.95	\$ 3,930,290.13
Total Liabilities	<u>\$ 3,831,168.29</u>	<u>\$ 47,193,908.79</u>	<u>\$ 47,094,786.95</u>	<u>\$ 3,930,290.13</u>
City, County, MTA & SPD Sales Tax Trust (0882) U/F (0882)				
ASSETS				
Cash in State Treasury	\$ 726,980,602.87	\$ 7,828,763,055.45	\$ 7,764,421,803.78	\$ 791,321,854.54
Total Assets	<u>\$ 726,980,602.87</u>	<u>\$ 7,828,763,055.45</u>	<u>\$ 7,764,421,803.78</u>	<u>\$ 791,321,854.54</u>
LIABILITIES				
Other Intergovernmental Payables	\$ 726,980,602.87	\$ 7,828,763,055.45	\$ 7,764,421,803.78	\$ 791,321,854.54
Total Liabilities	<u>\$ 726,980,602.87</u>	<u>\$ 7,828,763,055.45</u>	<u>\$ 7,764,421,803.78</u>	<u>\$ 791,321,854.54</u>
International Fuels Tax Agreement (IFTA) Guaranty Trust Account (0884) U/F (0884)				
ASSETS				
Cash in State Treasury	\$ 51,450.00	\$ 92,307.87	\$ 58,450.00	\$ 85,307.87
Total Assets	<u>\$ 51,450.00</u>	<u>\$ 92,307.87</u>	<u>\$ 58,450.00</u>	<u>\$ 85,307.87</u>
LIABILITIES				
Funds Held for Others	\$ 51,450.00	\$ 92,307.87	\$ 58,450.00	\$ 85,307.87
Total Liabilities	<u>\$ 51,450.00</u>	<u>\$ 92,307.87</u>	<u>\$ 58,450.00</u>	<u>\$ 85,307.87</u>

Continued on the following page

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT J-1 (continued)

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance Sept. 1, 2011	Additions	Deductions	Ending Balance Aug. 31, 2012
Departmental Suspense Fund				
(0900) U/F (0900)				
ASSETS				
Cash in State Treasury	\$ 7,136,358.48	\$ 490,742,319.67	\$ 489,552,523.65	\$ 8,326,154.50
Total Assets	<u>\$ 7,136,358.48</u>	<u>\$ 490,742,319.67</u>	<u>\$ 489,552,523.65</u>	<u>\$ 8,326,154.50</u>
LIABILITIES				
Funds Held for Others	\$ 7,136,358.48	\$ 490,742,319.67	\$ 489,552,523.65	\$ 8,326,154.50
Total Liabilities	<u>\$ 7,136,358.48</u>	<u>\$ 490,742,319.67</u>	<u>\$ 489,552,523.65</u>	<u>\$ 8,326,154.50</u>
Motor Fuel Distributor's Bond Guaranty				
(0904) U/F (0904)				
ASSETS				
Cash in State Treasury	\$ 789,285.63	\$ 1,359,285.63	\$ 1,179,285.63	\$ 969,285.63
Total Assets	<u>\$ 789,285.63</u>	<u>\$ 1,359,285.63</u>	<u>\$ 1,179,285.63</u>	<u>\$ 969,285.63</u>
LIABILITIES				
Funds Held for Others	\$ 789,285.63	\$ 1,359,285.63	\$ 1,179,285.63	\$ 969,285.63
Total Liabilities	<u>\$ 789,285.63</u>	<u>\$ 1,359,285.63</u>	<u>\$ 1,179,285.63</u>	<u>\$ 969,285.63</u>
Qualified Hotel Project Trust Fund				
(0905) U/F (0905)				
ASSETS				
Cash in State Treasury	\$	\$ 12,915,071.86	\$ 12,915,071.86	\$
Total Assets	<u>\$ 0.00</u>	<u>\$ 12,915,071.86</u>	<u>\$ 12,915,071.86</u>	<u>\$ 0.00</u>
LIABILITIES				
Funds Held for Others	\$	\$ 12,915,071.86	\$ 12,915,071.86	\$
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 12,915,071.86</u>	<u>\$ 12,915,071.86</u>	<u>\$ 0.00</u>
Mixed Beverage Tax Guaranty				
(0906) U/F (0906)				
ASSETS				
Cash in State Treasury	\$ 12,144,754.02	\$ 14,510,091.68	\$ 14,404,989.59	\$ 12,249,856.11
Total Assets	<u>\$ 12,144,754.02</u>	<u>\$ 14,510,091.68</u>	<u>\$ 14,404,989.59</u>	<u>\$ 12,249,856.11</u>
LIABILITIES				
Funds Held for Others	\$ 12,144,754.02	\$ 14,510,091.68	\$ 14,404,989.59	\$ 12,249,856.11
Total Liabilities	<u>\$ 12,144,754.02</u>	<u>\$ 14,510,091.68</u>	<u>\$ 14,404,989.59</u>	<u>\$ 12,249,856.11</u>
Sales Tax Guaranty Trust				
(0962) U/F (0962)				
ASSETS				
Cash in State Treasury	\$ 23,823,437.12	\$ 32,004,517.18	\$ 30,520,997.14	\$ 25,306,957.16
Total Assets	<u>\$ 23,823,437.12</u>	<u>\$ 32,004,517.18</u>	<u>\$ 30,520,997.14</u>	<u>\$ 25,306,957.16</u>
LIABILITIES				
Funds Held for Others	\$ 23,823,437.12	\$ 32,004,517.18	\$ 30,520,997.14	\$ 25,306,957.16
Total Liabilities	<u>\$ 23,823,437.12</u>	<u>\$ 32,004,517.18</u>	<u>\$ 30,520,997.14</u>	<u>\$ 25,306,957.16</u>

Concluded on the following page

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT J-1 (concluded)

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance Sept. 1, 2011	Additions	Deductions	Ending Balance Aug. 31, 2012
Direct Deposit Correction Account (0980) U/F (0980)				
ASSETS				
Cash in State Treasury	\$ 238,490.06	\$ 39,330,596.50	\$ 39,564,990.79	\$ 4,095.77
Total Assets	<u>\$ 238,490.06</u>	<u>\$ 39,330,596.50</u>	<u>\$ 39,564,990.79</u>	<u>\$ 4,095.77</u>
LIABILITIES				
Funds Held for Others	\$ 238,490.06	\$ 39,330,596.50	\$ 39,564,990.79	\$ 4,095.77
Total Liabilities	<u>\$ 238,490.06</u>	<u>\$ 39,330,596.50</u>	<u>\$ 39,564,990.79</u>	<u>\$ 4,095.77</u>
Totals – All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 782,609,463.04	\$ 8,472,131,076.06	\$ 8,408,932,834.79	\$ 845,807,704.31
Investments:				
U.S. Government & Agency Obligations (Note 3)	76,159.15	41,554.94	76,159.15	41,554.94
Corporate Obligations (Note 3)	16,217.58	10,121.83	16,217.58	10,121.83
Corporate Equity (Note 3)	129,365,373.00	177,288,964.84	129,365,373.00	177,288,964.84
Pooled Investments Note 3)	59,386,459.42	56,596,438.26	59,386,459.42	56,596,438.26
Other Investments (Note 3)	2,377,537.93	3,145,094.21	2,377,537.93	3,145,094.21
Total Assets	<u>\$ 973,831,210.12</u>	<u>\$ 8,709,213,250.14</u>	<u>\$ 8,600,154,581.87</u>	<u>\$ 1,082,889,878.39</u>
LIABILITIES				
Intergovernmental Payables	\$ 726,980,602.87	\$ 7,828,763,055.45	\$ 7,764,421,803.78	\$ 791,321,854.54
Funds Held for Others	246,850,607.25	880,450,194.69	835,732,778.09	291,568,023.85
Total Liabilities	<u>\$ 973,831,210.12</u>	<u>\$ 8,709,213,250.14</u>	<u>\$ 8,600,154,581.87</u>	<u>\$ 1,082,889,878.39</u>

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller – Fiscal (902)

SCHEDULE 1A

Schedule of Federal Financial Assistance

For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through From		Direct Program Amount	Total Pass- Through & Direct Program
		State Agy. or Univ. Amount	Non-State Entities Amount		
U.S. Department of Defense					
Payment to States in Lieu of					
Real Estate Taxes	12.112	\$	\$	\$ 7,231,905.12	\$ 7,231,905.12
Total U.S. Dept of Defense		<u>0.00</u>	<u>0.00</u>	<u>7,231,905.12</u>	<u>7,231,905.12</u>
Total Federal Financial Assistance		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 7,231,905.12</u>	<u>\$ 7,231,905.12</u>

NOTE 2 – RECONCILIATION

Per Combined Statement of
Changes in Fiduciary Net Assets –
Fiduciary Funds – (Exh VII):

Federal Revenues	\$ 7,231,905.12
Reconciling Items	<u>0.00</u>
Total Pass-Through and Expenditures Per Federal Schedule	<u>\$ 7,231,905.12</u>

NOTE 7 – FEDERAL DEFERRED REVENUE

CFDA	Balance 09/01/11	Net Change	Balance 08/31/12
15.227	\$ 17,479.83	\$ 0.00	\$ 17,479.83

The deferred revenue of \$17,479.83 are federal grant prepayments that have not been earned. This relates to CFDA 15.227 – Distribution of Receipts to State and Local Governments

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Pass-Through To			
State Agy. or Univ. Amount	Non-State Entities Amount	Expenditures Amount	Total Pass- Through & Expenditures
\$ 0.00	\$ 0.00	\$ 7,231,905.12	\$ 7,231,905.12
<u>0.00</u>	<u>0.00</u>	<u>7,231,905.12</u>	<u>7,231,905.12</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 7,231,905.12</u>	<u>\$ 7,231,905.12</u>

UNAUDITED
Comptroller – Fiscal (902)

SCHEDULE 4

**Schedule of Modified to Full Accrual Adjustments – Governmental Funds
Balance Sheet/Statement of Net Assets – Governmental Funds**

August 31, 2012

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
ASSETS					
Current Assets:					
Cash in State Treasury	\$ 2,787,686,568.65	\$	\$	\$	\$ 2,787,686,568.65
Cash in Bank	956,070.87				956,070.87
Receivables:					
Accounts Receivable	295,678,666.67				295,678,666.67
Interest and Dividends	2,270,187.79				2,270,187.79
Taxes	2,591,162,519.19				2,591,162,519.19
Due From Other Agencies	126,575,035.51				126,575,035.51
Total Current Assets	<u>5,804,329,048.68</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>5,804,329,048.68</u>
Non-Current Assets:					
Taxes Receivable	127,144,985.01				127,144,985.01
Capital Assets:					
Depreciable					
Furniture and Equipment		4,316,874.13			4,316,874.13
Accumulated Depreciation		(2,732,355.32)			(2,732,355.32)
Computer Software		8,824,456.09			8,824,456.09
Accumulated Amortization		(7,750,462.72)			(7,750,462.72)
Total Non-Current Assets	<u>127,144,985.01</u>	<u>2,658,512.18</u>	<u>0.00</u>	<u>0.00</u>	<u>129,803,497.19</u>
Total Assets	<u>\$ 5,931,474,033.69</u>	<u>\$ 2,658,512.18</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 5,934,132,545.87</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Payables From:					
Accounts Payable	\$ 437,653.81	\$	\$	\$	\$ 437,653.81
Federal	284,547.00				284,547.00
Other Intergovernmental	26,476,289.74				26,476,289.74
Unclaimed Property Claimant Liabilities	206,851,798.18				206,851,798.18
Taxes Refund Payable	272,220,655.43				272,220,655.43
Due to Other Agencies	292,115,562.70				292,115,562.70
Deferred Revenues	815,583,328.77			(735,519,428.57)	80,063,900.20
Total Current Liabilities	<u>1,613,969,835.63</u>	<u>0.00</u>	<u>0.00</u>	<u>(735,519,428.57)</u>	<u>878,450,407.06</u>
Total Liabilities	<u>1,613,969,835.63</u>	<u>0.00</u>	<u>0.00</u>	<u>(735,519,428.57)</u>	<u>878,450,407.06</u>
FUND FINANCIAL STATEMENT – FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable for LT Taxes Receivable	127,163,259.61				
Restricted	289,838,537.28				
Committed	69,092,109.68				
Assigned					
Unassigned	<u>3,831,410,291.49</u>				
Total Fund Balances	<u>4,317,504,198.06</u>				
Total Liabilities and Fund Balance	<u>\$ 5,931,474,033.69</u>				
GOVERNMENT-WIDE STATEMENT – NET ASSETS					
Net Assets:					
Invested in Capital Assets,					
Net of Related Debt	\$ 4,317,504,198.06	\$ 2,658,512.18	\$	\$	\$ 2,658,512.18
Unrestricted	<u>4,317,504,198.06</u>	<u>2,658,512.18</u>	<u>0.00</u>	<u>735,519,428.57</u>	<u>5,053,023,626.63</u>
Total Net Assets	<u>\$ 4,317,504,198.06</u>	<u>\$ 2,658,512.18</u>	<u>\$ 0.00</u>	<u>\$ 735,519,428.57</u>	<u>\$ 5,055,682,138.81</u>

UNAUDITED
Comptroller – Fiscal (902)

SCHEDULE 4

Schedule of Modified to Full Accrual Adjustments – Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds

For the Fiscal Year Ended August 31, 2012

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 41,278,736,303.60	\$	\$	\$ 735,519,428.57	\$ 42,014,255,732.17
Licenses, Fees & Permits	1,156,718,337.86				1,156,718,337.86
Interest and Other Investment Income	75,530.54				75,530.54
Land Income	24,237,749.28				24,237,749.28
Settlement of Claims	535,391,957.99				535,391,957.99
Sales of Goods and Services	53,337,554.02				53,337,554.02
Other	597,917,627.73				597,917,627.73
Total Revenues	<u>43,646,415,061.02</u>	<u>0.00</u>	<u>0.00</u>	<u>735,519,428.57</u>	<u>44,381,934,489.59</u>
EXPENDITURES					
Payroll Related Costs	457,914,373.49				457,914,373.49
Professional Fees and Services	6,228,397.14				6,228,397.14
Materials and Supplies	258,000.48				258,000.48
Communications and Utilities	267,592.83				267,592.83
Repairs and Maintenance	1,741,100.16				1,741,100.16
Rentals and Leases	190,452.02				190,452.02
Claims and Judgments	20,246,119.36				20,246,119.36
State Grant Pass-Through Expenditure					
Intergovernmental Payments	322,565,291.48				322,565,291.48
Public Assistance Payments	149,637.15				149,637.15
Other Expenditures	84,169,848.86				84,169,848.86
Capital Outlay	584,079.89				584,079.89
Depreciation/Amortization Expense		1,613,808.94			1,613,808.94
Total Expenditures	<u>894,314,892.86</u>	<u>1,613,808.94</u>	<u>0.00</u>	<u>0.00</u>	<u>895,928,701.80</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>42,752,100,168.16</u>	<u>(1,613,808.94)</u>	<u>0.00</u>	<u>735,519,428.57</u>	<u>43,486,005,787.79</u>
OTHER FINANCING SOURCES (USES)					
Net Inc (Dec) on Transfer of Capital Assets					
Transfer In	1,810,443,755.63				1,810,443,755.63
Transfer Out	(19,906,290,269.19)				(19,906,290,269.19)
Legislative Transfer Out	(20,718,233,177.61)				(20,718,233,177.61)
Insurance Recoveries	(122,382.76)				(122,382.76)
Total Other Financing Sources and Uses	<u>(38,814,202,073.93)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(38,814,202,073.93)</u>
Net Change in Fund Balances/Net Assets	<u>3,937,898,094.23</u>	<u>(1,613,808.94)</u>	<u>0.00</u>	<u>735,519,428.57</u>	<u>4,671,803,713.86</u>
FUND FINANCIAL STATEMENT – FUND BALANCES					
Fund Balances, September 1, 2011	645,449,967.69				
Restatements	(265,843,863.86)				
Fund Balances, September 1, 2011, as Restated	<u>379,606,103.83</u>				
Fund Balances, August 31, 2012	<u>\$ 4,317,504,198.06</u>				
GOVERNMENT-WIDE STATEMENT – NET ASSETS					
Net Assets/Net Change in Net Assets	<u>\$ 3,937,898,094.23</u>	<u>\$ (1,613,808.94)</u>	<u>\$ 0.00</u>	<u>\$ 735,519,428.57</u>	<u>\$ 4,671,803,713.86</u>
Net Assets, September 1, 2011	645,449,967.69	4,272,321.12			649,722,288.81
Restatements	(265,843,863.86)				(265,843,863.86)
Net Assets, September 1, 2011, as Restated	<u>379,606,103.83</u>	<u>4,272,321.12</u>	<u>0.00</u>	<u>0.00</u>	<u>383,878,424.95</u>
Net Assets, August 31, 2012	<u>\$ 4,317,504,198.06</u>	<u>\$ 2,658,512.18</u>	<u>\$ 0.00</u>	<u>\$ 735,519,428.57</u>	<u>\$ 5,055,682,138.81</u>

UNAUDITED
Comptroller – Fiscal (902)

SCHEDULE 5

Schedule of Tax Revenue, Tax Receivable and Deferred Tax Revenue

For the Fiscal Year Ended August 31, 2012

Tax Type	Tax Revenue		Taxes Receivable	Refunds Payable	Net Taxes Receivable
	Modified Accrual	Full Accrual			
Sales and Use	\$ 24,249,179,444.19	\$ 24,315,179,044.47	\$ 1,550,482,891.27	\$	\$ 1,550,482,891.27
Motor Vehicle & MFG Housing	3,549,276,912.33	3,550,394,761.57	133,373,931.66		133,373,931.66
Motor Fuels*	77,278,059.59	77,709,702.92	7,256,027.32		7,256,027.32
Oil & Natural Gas Production	3,584,176,172.92	3,731,667,227.44	633,027,162.56	(272,220,655.43)	360,806,507.13
Franchise	3,078,147,689.62	3,080,089,500.31	13,490,657.72		13,490,657.72
Insurance	1,500,696,747.64	1,672,669,826.64	200,287,488.37		200,287,488.37
Cigarette & Tobacco	566,494,427.73	566,495,042.24	19,736,060.85		19,736,060.85
Other Taxes:					
Alcoholic Beverage	935,541,846.62	935,541,846.62	63,812,691.00		63,812,691.00
Utility	448,757,446.21	495,006,529.04	56,571,300.83		56,571,300.83
Hotel and Motel	406,326,558.67	406,326,558.67	40,269,292.62		40,269,292.62
Other	157,337,251.53	157,337,251.53			
Total Taxes	\$ 38,553,212,557.05	\$ 38,988,417,291.45	\$ 2,718,307,504.20	\$ (272,220,655.43)	\$ 2,446,086,848.77

* Motor fuel tax revenue, taxes receivable & deferred revenue transferred to the Texas Department of Transportation and Texas Education Agency will be reported by those agencies instead of Comptroller-Fiscal.

Tax Type	Deferred Tax Revenue	
	Modified Accrual	Full Accrual
Sales and Use	\$ 70,631,167.77	\$ 72,408,173.62
Motor Vehicle & MFG Housing	1,117,849.24	
Motor Fuels*	431,643.34	
Oil & Natural Gas Production	147,491,054.52	7,655,726.58
Franchise	1,941,810.69	
Insurance	171,973,079.00	
Cigarette & Tobacco	614.51	
Other Taxes:		
Alcoholic Beverage		
Utility	46,249,082.83	
Hotel and Motel		
Other		
Total Taxes	\$ 439,836,301.90	\$ 80,063,900.20

Comptroller Treasury – Fiscal (311)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller Treasury – Fiscal (311)

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT I

**Combined Balance Sheet/Statement of Net Assets –
Governmental Funds**

August 31, 2012

	Governmental Fund Types		Governmental Funds Total
	General Funds (Ex A-1)	Permanent Funds (Ex E-1)	
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 10,022,922,160.06	\$	\$ 10,022,922,160.06
Short Term Investments	2,885,150.38	6,806,540.18	9,691,690.56
Receivables From:			
Interest and Dividends	6,954.52	19,365.39	26,319.91
Trade Receivables	2,505,511.97	5,571,229.28	8,076,741.25
Due From Other Agencies	5,497,461.42		5,497,461.42
Non-Current Assets:			
Investments	337,561,299.84	726,891,351.77	1,064,452,651.61
Total Assets	<u>\$ 10,371,378,538.19</u>	<u>\$ 739,288,486.62</u>	<u>\$ 11,110,667,024.81</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current Liabilities:			
Payables From:			
Accounts Payable	\$ 173,793.94	\$ 372,885.22	\$ 546,679.16
Trade Payables	359,483.65	632,143.29	991,626.94
Short Term Debt	9,800,000,000.00		9,800,000,000.00
Other Liabilities	5,497,461.42		5,497,461.42
Total Liabilities	<u>9,806,030,739.01</u>	<u>1,005,028.51</u>	<u>9,807,035,767.52</u>
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Restricted	342,425,639.12	135,716,482.40	478,142,121.52
Other	222,922,160.06	602,566,975.71	825,489,135.77
Total Fund Balances	<u>565,347,799.18</u>	<u>738,283,458.11</u>	<u>1,303,631,257.29</u>
Total Liabilities and Fund Balances	<u>\$ 10,371,378,538.19</u>	<u>\$ 739,288,486.62</u>	<u>\$ 11,110,667,024.81</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

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

	General Funds (Ex A-2)	Permanent Funds (Ex E-2)	Governmental Funds Total
REVENUES			
Interest and Other Investment Income	\$ 501,475,040.14	\$ 8,657,207.30	\$ 510,132,247.44
Income from Securities Lending			
Net Increase (Decrease) in Fair Value	5,380,946.34	10,337,310.19	15,718,256.53
	<u>506,855,986.48</u>	<u>18,994,517.49</u>	<u>525,850,503.97</u>
EXPENDITURES			
Professional Fees and Services	1,654,828.44	2,199,998.29	3,854,826.73
Travel	6,632.53		6,632.53
Borrower Rebate and Agent Fees			
Interest	244,390,701.85		244,390,701.85
Total Expenditures/Expenses	<u>246,052,162.82</u>	<u>2,199,998.29</u>	<u>248,252,161.11</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>260,803,823.66</u>	<u>16,794,519.20</u>	<u>277,598,342.86</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(54,403,901.02)	(22,399,969.64)	(76,803,870.66)
Total Other Financing Sources and Uses	<u>(54,403,901.02)</u>	<u>(22,399,969.64)</u>	<u>(76,803,870.66)</u>
Net Change in Fund Balances/Net Assets	<u>206,399,922.64</u>	<u>(5,605,450.44)</u>	<u>200,794,472.20</u>
FUND FINANCIAL STATEMENT – FUND BALANCES			
Fund Balances, September 1, 2011	358,947,876.49	743,888,908.55	1,102,836,785.04
Restatements			
Fund Balances, September 1, 2011, as Restated	<u>358,947,876.49</u>	<u>743,888,908.55</u>	<u>1,102,836,785.04</u>
Fund Balances – August 31, 2012	<u>\$ 565,347,799.13</u>	<u>\$ 738,283,458.11</u>	<u>\$ 1,303,631,257.24</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT VI

**Combined Statement of Fiduciary Net Assets –
Fiduciary Funds**

August 31, 2012

	Private- Purpose Trust (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents:			
Cash in Bank	\$	\$	\$
Cash in State Treasury		2,347,680.88	2,347,680.88
Other Short Term Investments	19,866,773.27		19,866,773.27
Investments (Note 3)			
U.S. Government and Agency Obligations			
Corporate Equity	67,904,544.88		67,904,544.88
Corporate Obligations	236,358,648.68		236,358,648.68
Foreign Securities			
Other Investments	1,744,380,909.18		1,744,380,909.18
Repurchase Agreements		31,479,564.92	31,479,564.92
Receivables:			
Interest and Dividends	46,485.18	139.37	46,624.55
Trade Receivables	15,052,806.44		15,052,806.44
Other Assets		115,000.00	115,000.00
Total Assets	<u>2,083,610,167.63</u>	<u>33,942,385.17</u>	<u>2,117,552,552.80</u>
LIABILITIES			
Payables:			
Accounts Payables	1,034,757.68		1,034,757.68
Trade Payables	1,977,448.57		1,977,448.57
Obligations/Securities Lending			
Funds Held for Others		33,942,385.17	33,942,385.17
Total Liabilities	<u>3,012,206.25</u>	<u>33,942,385.17</u>	<u>36,954,591.42</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	2,080,597,961.39		2,080,597,961.39
Total Net Assets	<u>\$ 2,080,597,961.39</u>	<u>\$ 0.00</u>	<u>\$ 2,080,597,961.39</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT VII

**Combined Statement of Changes in Fiduciary Net Assets –
Fiduciary Funds**

August 31, 2012

	Private Purpose Trust (Exhibit I-2)	Totals
ADDITIONS		
Investment Income:		
From Investing Activities:		
Net appreciation (Depreciation) in		
Fair Value of Investments	\$ 33,483,052.81	\$ 33,483,052.81
Interest and Investment Income	25,285,710.36	25,285,710.36
Total Investing Income (Loss)	58,768,763.17	58,768,763.17
Less Investing Activities Expense		
Net Income from Investing Activities	58,768,763.17	58,768,763.17
From Securities Lending Activities		
Securities Lending Income		
Less Securities Lending Expense:		
Borrower Rebates and Agent Fees	0.00	0.00
Net Income from Securities Lending Activities		
Total Net Investment Income (Loss)	58,768,763.17	58,768,763.17
Total Additions	58,768,763.17	58,768,763.17
DEDUCTIONS		
Transfer out	51,436,508.67	51,436,508.67
Professional Fees and Services	6,064,356.97	6,064,356.97
Total Deductions	57,500,865.64	57,500,865.64
INCREASE (DECREASE) IN NET ASSETS	1,267,897.53	1,267,897.53
NET ASSETS		
Net Assets, September 1, 2011	2,079,330,063.85	2,079,330,063.85
Restatements		
Net Assets, September 1, 2011, as Restated	2,079,330,063.85	2,079,330,063.85
Net Assets – August 31, 2012	<u>\$ 2,080,597,961.38</u>	<u>\$ 2,080,597,961.38</u>

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

GENERAL INTRODUCTION

The Comptroller - Treasury Fiscal is an agency of the State of Texas and its financial records comply with the state statutes and regulations. This includes compliance with the Comptroller of Public Accounts Reporting Requirements of State Agencies.

Effective Sept. 1, 1996, the constitutional office of the Treasurer was abolished and the powers, duties, obligations, rights and contracts of the Treasurer was transferred to and assumed by the State Comptroller of Public Accounts.

There are no component units in which the Comptroller - Treasury Fiscal is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

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 be in compliance with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES

General Fund

The general fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state’s programs.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets held as an agent for individuals, other government entities, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

Private-Purpose Trust Funds

Agencies use private-purpose trust funds to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All governmental fund types and agency funds are accounted for on the modified basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave, and the un-matured debt service (principal and interest) on general long-term debt, long-term capital leases, and long-term claims and judgments, which are not recognized until actual payment is made.

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (The General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

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

Investments

Investments are stated at fair value in all funds in accordance with GASB Statement 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Securities Lending Collateral

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Interest and Dividend Receivables

This includes interest and dividends accrued on investments at year-end that will not be deposited to the Fund until after the fiscal year.

Investment Trade Receivables

This represents investment sales that occurred on or before fiscal year end for which cash payment will be received after fiscal year end.

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.

Notes Payable

State of Texas Tax and Revenue Anticipation Notes are recorded at par. The bond proceeds are accounted for as an “Other Financing Source” in the Tax And Revenue Anticipation Note Fund 577 when received, and expenditures for payment of principal and interest are recorded in the Tax And Revenue Anticipation Note Fund 577 when paid.

Investment Trade Payables

This represents the liability for investment purchases that occurred on or before fiscal year end for which cash payment will be received after fiscal year end.

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 enterprise fund statements.

Reservations of Fund Balance

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

Unreserved/Undesignated

This represents the un-appropriated balance at year end.

Restricted Net Assets

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

Unrestricted Net Assets

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

INTERFUND ACTIVITIES AND BALANCES

The Treasury has the following types of transactions between funds:

- (1) Transfers: Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund

The composition of the agency’s Inter-fund activities and balances are presented in Note 12.

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

All monies in funds established in the Treasury by the State Constitution or by an act of the Legislature are pooled for investment purposes. All monies of the Trust Company are invested according to Section 404.106 of the Government Code.

INVESTMENT AUTHORITY

Section 404.024 of the Government Code permits the investment of these funds in the following instruments:

1. fully collateralized time deposits in banks and savings and loan associations domiciled in the state which have been approved by the State Depository Board to receive state deposits;
2. direct security repurchase agreements;
3. reverse repurchase agreements;
4. direct obligations of, or obligations the principal and interest of which are guaranteed by the United States, its’ agencies and instrumentalities;
5. bankers’ acceptances that: (i) are eligible for purchase by the Federal Reserve System, (ii) do not exceed 270 days to maturity, and (iii) are issued by a bank that has received the highest short-term credit rating by a nationally recognized investment firm;
6. commercial paper that has received the highest short-term credit rating by a nationally recognized investment rating firm and does not exceed 270 days to maturity; and,

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7. contracts written by the Comptroller in which the Comptroller grants the purchaser the right, for a fee, to purchase securities in the Treasury’s marketable securities portfolio at a specified price over a specified period. These contracts are commonly known as covered call options. Uncovered option trading is specifically prohibited.

No more than 20% of the aggregate funds on deposit in financial institutions at any time may be placed by the Comptroller in savings and loan associations.

Repurchase and reverse repurchase agreements may be entered into by the Comptroller only with state or national banks doing business in Texas or primary dealers approved by the Federal Reserve System.

There were no significant violations of legal provisions during the period.

DEPOSITS OF CASH IN BANK

Custodial Operations

As of Aug. 31, 2012, the carrying amount and the total bank balance of deposits is presented below:

Custodial Operations	
Cash in Bank – Carrying Amount	\$547,766,234.68
Total Cash in Bank	<u>\$547,766,234.68</u>

The Trust Company’s contract with the Federal Reserve Bank permits the Trust Company to wire transfer funds for the purpose of facilitating investment transactions. Correspondingly, a minimum cash balance is maintained in the account to generate earnings credits sufficient to offset the costs of the services received. As these investment transactions occur, the Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account intraday and at the end of the day. The Trust Company met those requirements throughout Fiscal Year 2012.

Collateralization and Risk Categorization – In accordance with state law, all amounts deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation are fully collateralized 105% by the pledging, to the Comptroller, of securities valued at market, excluding accrued interest. Generally the list of eligible securities includes all U. S. Treasury and most Agency Obligations, including certain mortgage backed securities pledged @125%, and securities issued by state agencies and political subdivisions within the State. All securities pledged to the Comptroller must be held by a third-party custodian bank doing business in the State through a main office or one or more branches, any Federal Reserve Bank, the Texas Treasury Safekeeping Trust Company, any Federal Home Loan Bank or in the vault of Treasury Operations at the State Comptroller of Public Accounts.

Securities pledged as collateral on Aug. 31, 2012 were categorized as follows:

Political Subdivision Securities	
Moody's Investors Service Ratings	Percent of Collateral Pledged
AAA	15.51%
AA	12.92%
A	4.47%
Subtotal	<u>32.90%</u>

U.S. Government Securities	
Description	Percent of Collateral Pledged
U.S. Treasury Bills	0.00%
U.S. Treasury Notes and Bonds	6.74%
Federal Home Loan Bank Debentures	8.18%
Federal Home Loan Mortgage Corp	2.13%
Federal Home Loan Mtg. Corp-Mtg. backed	10.22%
Federal Farm Credit Bank	2.52%
Federal National Mortgage Assn	5.79%
Federal National Mtg Assn-Mtg. backed	15.40%
Government National Mortgage Assn	8.74%
Federal Home Loan Bank Letters of Credit	7.38%
Subtotal	<u>67.10%</u>
TOTAL	<u>100.00%</u>

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Based on an opinion letter received by the Treasury from the Federal Deposit Insurance Corporation, it is the policy of the Treasury to collateralize bank deposits based on a collected funds basis.

During fiscal year 2012 no depository holding state funds failed.

All securities pledged to the Trust Company must be held by the Trust Company, a third-party bank that is an approved depository and approved custodian, any Federal Reserve Bank, Federal Home Loan Bank or in the vault of the Treasury. The Trust Company has contracted with financial institutions to collateralize Trust Company deposits in excess of depository insurance.

State statute permits depository institutions to select the bank that may serve as their third-party custodian for collateral pledged by that institution to the Comptroller. These banks must be approved depositories and approved custodians with capital and surplus of \$5,000,000 or more.

All deposits in financial institutions for Comptroller custodial operations, as of Aug. 31, 2012 were fully secured by FDIC insurance and securities pledged to the Comptroller.

INVESTMENTS AND REPURCHASE AGREEMENTS

Custodial Operations

As of Aug. 31, 2012, the fair value of investments is as presented below.

Investments for the Treasury Pool, as of Aug. 31, 2012 are as follows:

Fair Value of Investments As of 08/31/2012	
Investment Type	<u>Fair Value</u>
U.S. Government Agencies	\$ 350,758,241.00
U.S. Government Treasuries	14,527,884,311.00
Government Mortgage Backed Securities	2,614,197,349.00
Commercial paper	1,660,279,122.00
Repurchase Agreements	6,474,000,000.00
Supranational	399,583,000.00
Israel Bonds	
Corporate Obligations	1,551,784,622.00
Asset Backed Securities	2,245,194,951.00
Small Business Administration	63,126,258.00
Stock In Texas Trust Company	1,000,000.00
Money Market Mutual Funds	522,000,000.00
Total Treasury Pool without Lottery Securities	<u>30,409,807,854.00</u>
U. S. Government Agencies - Refco	801,164,414.00
U. S. Government Agencies-Lottery-Treasury Strips	265,791,934.00
Total Investments	<u>\$31,476,764,202.00</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Government Code section 404.024(a) and (b), treasury funds may be invested in fully collateralized repurchase agreements secured by obligations of the U.S., its agencies, or Government Sponsored Enterprises (GSEs), including mortgage-backed securities of such agencies and GSEs, as set out in section 404.001 of the Government Code. The Comptroller may purchase direct obligations of or obligations, the principal and interest of which are guaranteed by the U.S.; and direct obligations of, or obligations guaranteed by U.S. agencies or GSEs. Mortgage-backed securities are eligible for purchase except those specifically prohibited by section 404.024 (e) of the Government Code. Treasury funds may invest in commercial paper that, has received the highest short-term credit rating by a nationally recognized investment rating organization or “NRSRO”. “Highest short-term credit rating” includes at least one of the following short-term credit ratings, Moody’s (P-1), Standard & Poor’s (A-1), or Fitch, Inc. (F-1). Money market funds must be rated AAAM by a NRSRO. The asset-backed securities, corporate obligations, and small business administration obligations, that are not rated, are issued by Government Sponsored

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Enterprises that are rated AA+. The Treasury portfolio is rated AAAf by Standard & Poor's. The following table lists Standard & Poor's credit rating by investment type for the Treasury Pool securities that are subject to credit risk.

Standard & Poors						
Fund	Investment Type	AAA	AA	A	A -1	Unrated
Treasury Portfolio	U.S. Government Agencies	\$	\$ 350,758,241	\$	\$	\$
Treasury Portfolio	Government Mortgage Backed Securities		2,614,197,349			
Treasury Portfolio	Asset Backed Securities	1,279,869,084	38,654,361			926,671,506
Treasury Portfolio	Commercial paper				1,660,279,122	
Treasury Portfolio	Corporate Obligations	191,121,295	619,024,893	277,221,420		464,417,014
Treasury Portfolio	Repurchase Agreements		6,474,000,000			
Treasury Portfolio	Small Business Administration					63,126,258
Treasury Portfolio	Supranational	355,583,000		44,000,000		
Treasury Portfolio	Mutual Funds (2A 7-Like)	522,000,000				

Concentration of credit risk. The Comptroller places no limit on the amount the Treasury Pool may invest in any one issuer. The Treasury Pool had no investments that exceeded 5% of the Treasury Pool net asset value as of Aug. 31, 2012.

Interest rate risk. In accordance with its investment policy, the Treasury Pool manages its exposure to interest rate risk by maintaining a weighted-average maturity of no more than two (2) years. The following schedule reflects the average modified duration (a measure of the price sensitivity of a bond to interest rate movements) of the Treasury Pool by investment type and as a whole:

Investment Type	Modified Duration (Years)
U.S. Government Agencies	0.729
U.S. Government Treasuries	1.225
Government Mortgage Backed Securities	3.625
Commerical Paper	0.158
Corporate Obligations	1.946
Asset Backed Securities	1.077
Repurchase Agreements	0.038
Small Business Administration	20.048
Supranational	1.751
Placement of deposits with financial institutions	0.323
Treasury Portfolio Modified Duration	1.173

Reverse Repurchase Agreements. The Treasury Pool may enter into reverse repurchase agreements for up to 35% of the pools assets. The Treasury Pool's aggregate amount of reverse repurchase agreement obligations at Aug. 31, 2012 was \$66,293,284 including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$66,353,393. The credit exposure at year end was \$60,109.

Covered Call Options. The Treasury Pool writes covered call options on treasury notes owned by the pool. When the treasury writes an option, the premium received is recorded as a liability and is adjusted to the current market value of the option written on a monthly basis. Premiums received from writing options that expire unexercised are treated as realized gains. If the premium received is greater than the amount paid when closing a position, the difference is treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Treasury Pool has a realized gain or loss. The Treasury Pool, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The amount of premiums earned on covered call options in fiscal year 2012 is \$12,806,641. The fair value of outstanding covered call options as of Aug. 31, 2012 is \$593,750.

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Departmental Operations

As of Aug. 31, 2012, the fair value of investments is as presented below.

Fair Value of Investments As of 08/31/2012	
Governmental Funds	Fair Value
Equities	\$ 269,364.33
Mutual Funds – Domestic Equities	7,960,362.95
Mutual Funds – Global Equities	3,686,244.83
Mutual Funds – Domestic Fixed Income	3,771,435.52
Mutual Funds – Global Fixed Income	121,395,826.47
Mutual Funds – Commodities	62,252,619.63
Hedge Funds – Fund of funds	78,608,617.36
Hedge Funds – Direct funds	551,668,815.17
Alternative Investments Domestic	201,606,878.03
Alternative Investments International	33,232,487.33
Investments in Short Term Investment Fund	9,691,690.56
Total Investments	<u>\$1,074,144,342.18</u>
Reconciliation of Investments per Exhibits – Governmental	
Governmental Funds Current Assets	
Short-Term Investments	\$ 9,691,690.56
Governmental Funds Non-Current Assets	
Investments	1,064,452,651.62
Investments per Exhibits	<u>\$1,074,144,342.18</u>

Fair Value of Investments As of 08/31/2012	
Fiduciary Funds	Fair Value
Corporate Obligations	\$ 2,387,743.60
Equities	11,766,031.27
Mutual Funds – Domestic Equities	14,833,462.98
Mutual Funds – Global Equities	6,869,005.42
Mutual Funds – Domestic Fixed Income	7,027,751.05
Mutual Funds – Global Fixed Income	226,943,154.03
Mutual Funds – Commodities	116,002,490.64
Hedge Funds – Fund of Funds	146,480,508.82
Hedge Funds – Direct funds	1,032,042,941.90
Alternative Investments Domestic	403,322,366.77
Alternative Investments International	66,604,110.83
Investments in Short Term Investment Fund	19,866,773.27
Other Investments	14,364,535.45
Repurchase Agreements	31,479,564.92
Total Investments	<u>\$2,099,990,440.95</u>
Reconciliation of Investments per Exhibits – Fiduciary	
Fiduciary Funds Current Assets	
Short-Term Investments	\$ 19,866,773.27
Fiduciary Funds Non-Current Assets	
Investments	2,080,123,667.68
Investments per Exhibits	<u>\$2,099,990,440.95</u>

Credit Risk. Corporate obligations must be rated investment grade by at least one NRSRO and not rated below investment grade by any NRSRO. Short-term securities must be rated in the highest rating category by an NRSRO. The average quality rating of the high-yield fixed income portfolio shall be B1/B+ or higher. All high-yield securities when purchased must be rated at least CCC. The following schedule lists Standard & Poor’s credit rating by investment type for the Endowment Fund securities that are subject to credit risk. The high-yield securities not rated by Standard & Poor’s are rated Ba or B by Moody’s. The Investments in the short-term investment fund are investments in Northern Trust’s Institution Government Portfolio fund which is rated Aaa by Moody’s.

Standard & Pooors			
Fund Type	Investment Type	AAA	Unrated
01	Mutual Funds – Domestic Fixed Income	\$	\$ 1,169,378.05
01	Mutual Funds – Global Fixed Income		37,623,459.34
01	Investments in Short-Term Investment Fund	2,885,150.38	
19	Mutual Funds – Domestic Fixed Income		2,602,057.47
19	Mutual Funds – Global Fixed Income		83,772,367.14
19	Investments in Short-Term Investment Fund	6,806,540.18	

Concentration Risk. Excluding securities issued or guaranteed by the U.S. Government, its agencies, instrumentalities, and GSE’s, no more than 5 percent of the portfolio at the time of purchase, shall be invested in securities of one issuer.

Interest Rate Risk. The endowment funds do not have a formal investment policy that limits investment maturities. The following schedule reflects the average modified duration of the Endowment Funds by investment type. The investments in

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the securities lending cash collateral pool and the short-term investment fund use a weighted average maturity to reflect the interest rate risk.

Investment Type	Modified Duration (Years)
Mutual Funds – Domestic Fixed Income	4.25
Mutual Funds – Global Fixed Income	3.82
	Weighted Average Maturity (Days)
Investments in Short-Term Investment Fund	54

Foreign Currency Risk. The endowment funds do not have a formal investment policy that limits foreign currencies. The endowment funds exposure to foreign currency risk derives from its position in foreign currency-denominated investment in Alternative Investments.

Fair Market Value As of August 31, 2012		
Fund Type	Foreign Currency	Alternative Investments International
01	Euro	\$12,102,780.66
19	Euro	21,129,706.66
20	Euro	66,604,110.83
	Total	<u>\$99,836,598.15</u>

Marketable Securities – All United States Treasury and Agency Securities owned by the Comptroller are held in the Trust Company’s book-entry account at the San Antonio Branch of the Federal Reserve Bank of Dallas where they are delivered versus payment. All bankers’ acceptances and commercial paper are held by the State’s agent in the States’ name. A safe-keeping receipt is issued to the State acknowledging delivery.

Investment in the Trust Company – Section 404.105 of the Government Code authorizes the investment of state funds in the Trust Company. Through an order of the State Depository Board, dated Oct. 31, 1986 the Comptroller has invested \$1,000,000 in the Trust Company. These funds are invested by the Trust Company in obligations authorized by law for the investment of funds held and managed by the Comptroller. Any net earnings attributable to this investment are credited and allocated annually to the Comptroller. The Trust Company’s total contributed capital consists of one share of no par common stock for \$1,000,000 owned by the Comptroller. One share was authorized and issued.

NOTE 4: Short-Term Debt

Pursuant to Subchapter H of Chapter 404 of the Texas Government Code, the Comptroller is authorized to issue, sell, and deliver Tax and Revenue Anticipation Notes (TRAN) on behalf of the State. The TRAN are valid and binding obligations of the State, payable in accordance with the terms of the Comptroller’s TRAN order. The TRAN are payable from transfers from the General Revenue Fund to a payment account. On Aug. 23, 2011 (with an issue date of Sept. 01, 2011), \$9,800,000,000.00 in State of Texas Tax and Revenue Anticipation Notes, Series 2011 were sold for the purpose of coordinating the cash flow of the State for the fiscal year ended Aug. 31, 2012. Issuance of the TRAN also enhanced the State’s ability to make timely payments of expenditures which are payable from the General Revenue Fund. The TRAN matured on Aug. 31, 2012 and bore an interest rate of 2.50% and was priced to yield at 0.27310% as determined by the bids of the initial purchasers.

Gross note proceeds were \$9,919,046,960.00. Interest and other investment income on gross TRAN proceeds were \$57,382,768.68. Debt service payments included \$ 9,800,000,000.00 for principal and \$243,661,202.19 in interest expense.

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On Aug. 21, 2012, the State Comptroller sold \$9,800,000,000.00 of State of Texas Tax and Revenue Anticipation Notes, Series 2012. The TRAN is dated Sept. 1, 2012 and mature on Aug. 31, 2013. The TRAN bears interest at 2.50% and were priced to yield 0.22529%. The notes are not subject to redemption prior to maturity.

On Aug. 21, 2012, good faith funds in the amount of \$ 98,000,000.00 were received by the Comptroller and on Aug. 31, 2012, the balance of the note proceeds, in the amount of \$ 9,924,920,660.00, were received.

The State also sold \$500,000,000.00 in Commercial Paper for the purpose of coordinating the cash flow of the State for fiscal year ended Aug. 31, 2012. Issuance of the Commercial Paper also enhanced the State’s ability to make timely payments of expenditures which are payable from the General Revenue Fund.

TAX AND REVENUE ANTICIPATION NOTES

For the Year Ended Aug. 31, 2012 (Amounts in Thousands)

	Beginning Balance 9/1/11	Issued	Redeemed	Ending Balance 8/31/12
Tax and Revenue Anticipation Notes	\$ 0	\$ 19,600,000	\$ 9,800,000	\$ 9,800,000
Commercial Paper	\$ 0	\$ 500,000	\$ 500,000	\$ 0

NOTE 5: Long-Term Liabilities

(Not Applicable)

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans (Administering Agencies Only)

(Not Applicable)

NOTE 10: Deferred Compensation (Administering Agencies Only)

(Not Applicable)

**NOTE 11: Post employment Health Care and Life Insurance Benefits
 (Administering Agencies Only)**

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end, amounts received or paid are reported as:

- Transfers In or Transfers Out
- Due From Other Agencies or Due To Other Agencies

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Individual balances and activity at Aug. 31, 2012, follows:

August 31, 2012	Transfers In	Transfers Out	Purpose
GENERAL (01)			
Appd Fund 0577, Fund 0577 (Agency 902, Fund 0001)	\$	\$ 29,413,124.45	FYE Bal Transfer
Appd Fund 5044, Fund 5044 (Agency 537, Fund 5044)		8,587,437.92	Distribution
Appd Fund 5044, Fund 5044 (Agency 347, Fund 5044)		3,907,938.41	Distribution
Appd Fund 5045, Fund 5045 (Agency 537, Fund 5045)		4,293,731.28	Distribution
Appd Fund 5045, Fund 5045 (Agency 347, Fund 5045)		1,953,969.20	Distribution
Appd Fund 5046, Fund 5046 (Agency 537, Fund 5046)		4,293,730.56	Distribution
Appd Fund 5046, Fund 5046 (Agency 347, Fund 5046)		1,953,969.20	Distribution
PERMANENT (19)			
Appd Fund 0214, Fund 0214 (Agency 730, Fund 0214)		7,877,932.04	Distribution
Appd Fund 0214, Fund 0214 (Agency 733, Fund 0214)		7,877,932.04	Distribution
Appd Fund 0824, Fund 0824 (Agency 781, Fund 0824)		2,200,550.92	Distribution
Appd Fund 0825, Fund 0825 (Agency 781, Fund 0825)		1,223,166.36	Distribution
Appd Fund 5047, Fund 5047 (Agency 357 Fund 5047)		2,146,955.92	Distribution
Appd Fund 5048, Fund 5048 (Agency 537, Fund 5048)		1,073,432.36	Distribution
PRIVATE PURPOSE (20)			
Appd Fund 0823, Fund 0823 (Agency 781, Fund 0823)		1,436,508.67	Distribution
Appd Fund 0872, Fund 0872 (Agency 902, Fund 2872)		50,000,000.00	Distribution
Total Transfers	<u>\$ 0.00</u>	<u>\$ 128,240,379.33</u>	
	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0001, Fund 1900 (Agency 902, Fund 0001)	<u>\$ 5,497,461.42</u>	<u>\$</u>	Shared Cash
Total Due From/To Other Agencies	<u>\$ 5,497,461.42</u>	<u>\$ 0.00</u>	

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Assets

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

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

(Not Applicable)

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 21: N/A to the AFR

(Not Applicable)

NOTE 22: Donor Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances

(Not Applicable)

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

NOTE 27: Cigarette Tax Recovery Trust Fund

The Cigarette Stamp Tax Recovery Trust Fund (the “Trust Fund”) was created pursuant to Section 154.051 of the Texas Tax Code. On Sept. 1, 1987, the Trust Fund replaced surety/payments bonds as a source of security for the State’s extension of credit to purchasers of cigarette tax stamps. The Trust Fund is maintained outside Treasury. The Trust Fund operates much like a self-insurance pool in that distributors deposit 20% of their desired line credit. The pool of deposits insures the State from loss in the event of default by any distributors. The distributors determine their respective level of participation.

NOTE 28: Texas Treasury Safekeeping Trust Company

The Texas Treasury Safekeeping Trust Company (Texas Trust) was incorporated as a special-purpose trust company as outlined within section 404.102 of the Government Code. The purposes of the Texas Trust are to provide a means for the Comptroller to obtain direct access to services provided by the Federal Reserve System and to enable the Comptroller to manage, disburse, transfer, safekeep, and invest funds and securities more efficiently, economically and in accordance with the applicable governing investment guidelines.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

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Comptroller Treasury – Fiscal (311)

EXHIBIT A-1

Balance Sheet – All General and Consolidated Funds

August 31, 2012

	General Revenue Fund 0001 (0001) U/F (1900)	Tax and Revenue Anticipation Note Fund (0577) U/F (0577)	Permanent Fund for Tobacco Education & Enforcement Fund (5044) U/F (5044)	Permanent Fund for Children & Public Health Fund (5045) U/F (5045)	Permanent Fund for EMS & Trauma Care Fund (5046) U/F (5046)	Total (Ex I)
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash in State Treasury	\$	\$ 10,022,922,160.06	\$	\$ 721,288.50	\$ 721,288.41	\$ 10,022,922,160.06
Short Term Investments			1,442,573.47	721,288.50	721,288.41	2,885,150.38
Receivables From:						
Interest			3,477.40	1,738.56	1,738.56	6,954.52
Trades			1,252,753.03	626,379.55	626,379.39	2,505,511.97
Due From Other Agencies	5,497,461.42					5,497,461.42
Non-Current Assets:						
Investments			168,780,327.17	84,390,495.28	84,390,477.39	337,561,299.84
Total Assets	<u>\$ 5,497,461.42</u>	<u>\$ 10,022,922,160.06</u>	<u>\$ 171,479,131.07</u>	<u>\$ 85,739,901.89</u>	<u>\$ 85,739,883.75</u>	<u>\$ 10,371,378,538.19</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts	\$	\$	\$ 86,896.80	\$ 43,448.57	\$ 43,448.57	\$ 173,793.94
Trades			179,741.77	89,870.94	89,870.94	359,483.65
Short Term Debt		9,800,000,000.00				9,800,000,000.00
Other Liabilities	5,497,461.42					5,497,461.42
Total Liabilities	5,497,461.42	9,800,000,000.00	266,638.57	133,319.51	133,319.51	9,806,030,739.01
FUND FINANCIAL STATEMENT –						
FUND BALANCES						
Fund Balances (Deficits):						
Restricted			171,212,492.50	85,606,582.38	85,606,564.24	342,425,639.12
Other		222,922,160.00				222,922,160.00
Total Fund Balances	<u>0.00</u>	<u>222,922,160.00</u>	<u>171,212,492.50</u>	<u>85,606,582.38</u>	<u>85,606,564.24</u>	<u>565,347,799.12</u>
Total Liabilities and Fund Balances	<u>\$ 5,497,461.42</u>	<u>\$ 10,022,922,160.00</u>	<u>\$ 171,479,131.07</u>	<u>\$ 85,739,901.89</u>	<u>\$ 85,739,883.75</u>	<u>\$ 10,371,378,538.13</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

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

	<u>General Revenue</u> Fund 0001 (0001) U/F (1900)	<u>Tax and Revenue</u> Anticipation Notes Fund (0577) U/F (0577)	<u>Permanent Fund for</u> Tobacco Education & Enforcement Fund (5044) U/F (5044)	<u>Permanent Fund for</u> Children & Public Health Fund (5045) U/F (5045)	<u>Permanent Fund for</u> EMS & Trauma Care Fund (5046) U/F (5046)	<u>Total</u> (Ex II)
REVENUES						
Interest and Other Investment Income	\$	\$ 497,350,388.62	\$ 2,062,322.61	\$ 1,031,164.55	\$ 1,031,164.36	\$ 501,475,040.14
Net Increase (Decrease) in Fair Value			2,690,470.29	1,345,238.12	1,345,237.93	5,380,946.34
Total Revenues	0.00	497,350,388.62	4,752,792.90	2,376,402.67	2,376,402.29	506,855,986.48
EXPENDITURES						
Professional Fees and Services		617,769.79	518,528.34	259,265.17	259,265.14	1,654,828.44
Travel		6,632.53				6,632.53
Interest		244,390,701.85				244,390,701.85
Total Expenditures/Expenses	0.00	245,015,104.17	518,528.34	259,265.17	259,265.14	246,052,162.82
Excess (Deficiency) of Revenues						
Over Expenditures	0.00	252,335,284.45	4,234,264.56	2,117,137.50	2,117,137.15	260,803,823.66
OTHER FINANCING SOURCES (USES)						
Transfers Out		(29,413,124.45)	(12,495,376.33)	(6,247,700.48)	(6,247,699.76)	(54,403,901.02)
Total Other Financing Sources and Uses	0.00	(29,413,124.45)	(12,495,376.33)	(6,247,700.48)	(6,247,699.76)	(54,403,901.02)
Net Change in Fund Balances/Net Assets	0.00	222,922,160.00	(8,261,111.77)	(4,130,562.98)	(4,130,562.61)	206,399,922.64
FUND FINANCIAL STATEMENT – FUND BALANCES						
Fund Balances, September 1, 2011			179,473,604.27	89,737,145.37	89,737,126.85	358,947,876.49
Restatements						
Fund Balances, September 1, 2011, as Restated	0.00	0.00	179,473,604.27	89,737,145.37	89,737,126.85	358,947,876.49
Fund Balances – August 31, 2012	\$ 0.00	\$ 222,922,160.00	\$ 171,212,492.50	\$ 85,606,582.39	\$ 85,606,564.24	\$ 565,347,799.13

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT E-1

Combining Balance Sheet – Permanent Funds

August 31, 2012

	National University Research fund U/F (214)	Permanent Fund Higher Education Nursing, Allied Health & Other Health Related Programs (0824) U/F (0824)	Permanent Fund Minority & Research Educaton Fund (0825) U/F (0825)	Permanent Fund for Rural Health Facility Capital Improvement Fund (5047) U/F (5047)	Permanent Fund for Community Hospital Capital Improvement Fund (5048) U/F (5048)	Totals (Ex I)
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash in Bank	\$	\$	\$	\$	\$	\$
Cash in State Treasury						
Securities Lending Collateral Investments	5,508,269.13	420,779.47	233,922.75	429,051.47	214,517.36	6,806,540.18
Receivables From:						
Interest and Dividends	16,657.44	902.08	502.48	869.06	434.33	19,365.39
Trade Receivables	4,599,865.53	322,503.59	179,388.61	312,988.25	156,483.30	5,571,229.28
Total Current Assets	<u>10,124,792.10</u>	<u>744,185.14</u>	<u>413,813.84</u>	<u>742,908.78</u>	<u>371,434.99</u>	<u>12,397,134.85</u>
Non-Current Assets:						
Investments	593,239,043.80	44,290,889.97	24,628,798.41	43,155,892.08	21,576,727.51	726,891,351.77
Total Noncurrent Assets	<u>593,239,043.80</u>	<u>44,290,889.97</u>	<u>24,628,798.41</u>	<u>43,155,892.08</u>	<u>21,576,727.51</u>	<u>726,891,351.77</u>
Total Assets	<u>\$ 603,363,835.90</u>	<u>\$ 45,035,075.11</u>	<u>\$ 25,042,612.25</u>	<u>\$ 43,898,800.86</u>	<u>\$ 21,948,162.50</u>	<u>\$ 739,288,486.62</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts Payable	\$ 304,011.50	\$ 22,819.13	\$ 12,689.01	\$ 22,244.14	\$ 11,121.44	\$ 372,885.22
Trade Payables	492,848.69	46,218.06	25,679.82	44,931.30	22,465.42	632,143.29
Obligations under Securities Lending						
Total Current Liabilities	<u>796,860.19</u>	<u>69,037.19</u>	<u>38,368.83</u>	<u>67,175.44</u>	<u>33,586.86</u>	<u>1,005,028.51</u>
Total Liabilities	<u>796,860.19</u>	<u>69,037.19</u>	<u>38,368.83</u>	<u>67,175.44</u>	<u>33,586.86</u>	<u>1,005,028.51</u>
FUND FINANCIAL STATEMENT – FUND BALANCES						
Fund Balances (Deficits):						
Unreserved/Designated for:						
Other	602,566,975.71					602,566,975.71
Permanent Health Fund		44,966,037.92	25,004,243.42	43,831,625.42	21,914,575.64	135,716,482.40
Total Fund Balances	<u>602,566,975.71</u>	<u>44,966,037.92</u>	<u>25,004,243.42</u>	<u>43,831,625.42</u>	<u>21,914,575.64</u>	<u>738,283,458.11</u>
Total Liabilities and Fund Balances	<u>\$ 603,363,835.90</u>	<u>\$ 45,035,075.11</u>	<u>\$ 25,042,612.25</u>	<u>\$ 43,898,800.86</u>	<u>\$ 21,948,162.50</u>	<u>\$ 739,288,486.62</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT E-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Permanent Funds

For the Fiscal Year Ended August 31, 2012

	National University Research fund U/F (214)	Permanent Fund for Higher Education Nursing, Allied Health & Other Health Related Programs (0824) U/F (0824)	Permanent Fund for Minority & Research Educaton Fund (0825) U/F (0825)	Permanent Fund for Rural Health Facility Capital Improvement Fund (5047) U/F (5047)	Permanent Fund for Community Hospital Capital Improvement Fund (5048) U/F (5048)	Totals (Ex II)
REVENUES						
Interest and Other Investment Income	\$ 7,036,489.12	\$ 537,913.94	\$ 299,102.32	\$ 522,477.37	\$ 261,224.55	\$ 8,657,207.30
Income from Securities Lending						
Net Increase (Decrease) in Fair Value	<u>8,137,398.26</u>	<u>723,307.52</u>	<u>401,957.58</u>	<u>716,439.52</u>	<u>358,207.31</u>	<u>10,337,310.19</u>
Total Revenues	<u>15,173,887.38</u>	<u>1,261,221.46</u>	<u>701,059.90</u>	<u>1,238,916.89</u>	<u>619,431.86</u>	<u>18,994,517.49</u>
EXPENDITURES						
Professional Fees and Services	1,793,967.45	134,527.51	74,806.31	131,133.80	65,563.22	2,199,998.29
Borrower Rebate and Agent Fees						
Total Expenditures/Expenses	<u>1,793,967.45</u>	<u>134,527.51</u>	<u>74,806.31</u>	<u>131,133.80</u>	<u>65,563.22</u>	<u>2,199,998.29</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,379,919.93</u>	<u>1,126,693.95</u>	<u>626,253.59</u>	<u>1,107,783.09</u>	<u>553,868.64</u>	<u>16,794,519.20</u>
OTHER FINANCING SOURCES (USES)						
Transfers In						
Transfers Out	(15,755,864.08)	(2,200,550.92)	(1,223,166.36)	(2,146,955.92)	(1,073,432.36)	(22,399,969.64)
Total Other Financing Sources and Uses	<u>(15,755,864.08)</u>	<u>(2,200,550.92)</u>	<u>(1,223,166.36)</u>	<u>(2,146,955.92)</u>	<u>(1,073,432.36)</u>	<u>(22,399,969.64)</u>
Net Change in Fund Balances/Net Assets	<u>(2,375,944.15)</u>	<u>(1,073,856.97)</u>	<u>(596,912.77)</u>	<u>(1,039,172.83)</u>	<u>(519,563.72)</u>	<u>(5,605,450.44)</u>
FUND FINANCIAL STATEMENT –						
FUND BALANCES						
Fund Balances, September 1, 2011	604,942,919.87	46,039,894.89	25,601,156.19	44,870,798.25	22,434,139.35	743,888,908.55
Restatements						
Fund Balances, September 1, 2011, as Restated	<u>604,942,919.87</u>	<u>46,039,894.89</u>	<u>25,601,156.19</u>	<u>44,870,798.25</u>	<u>22,434,139.35</u>	<u>743,888,908.55</u>
Fund Balances – August 31, 2012	<u>\$ 602,566,975.72</u>	<u>\$ 44,966,037.92</u>	<u>\$ 25,004,243.42</u>	<u>\$ 43,831,625.42</u>	<u>\$ 21,914,575.63</u>	<u>\$ 738,283,458.11</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT I-1

Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds

August 31, 2012

	Tobacco Settlement Permanent Trust Fund (0872) U/F (0872)	Permanent Endowment Fund-Baylor College of Medicine (0823) U/F (0823)	Totals (Ex VI)
ASSETS			
Cash and Cash Equivalents:			
Cash in Bank	\$	\$	\$
Securities Lending Collateral			
Short Term Investments (Note 3)			
Other Short Term Investments	18,701,871.80	1,164,901.47	19,866,773.27
Investments (Note 3)			
U.S. Government and Agency Obligations			
Corporate Equity	56,640,451.25	11,264,093.63	67,904,544.88
Corporate Obligations	233,970,905.08	2,387,743.60	236,358,648.68
Foreign Securities			
Other Investments	1,730,016,373.73	14,364,535.45	1,744,380,909.18
Receivables:			
Interest and Dividends	46,485.18		46,485.18
Trade Receivables	15,052,806.44		15,052,806.44
Total Assets	<u>2,054,428,893.48</u>	<u>29,181,274.15</u>	<u>2,083,610,167.63</u>
LIABILITIES			
Payables:			
Accounts Payables	1,034,757.68		1,034,757.68
Trade Payables	1,977,448.57		1,977,448.57
Obligations/Securities Lending			
Total Liabilities	<u>3,012,206.25</u>	<u>0.00</u>	<u>3,012,206.25</u>
NET ASSETS			
Held in Trust for:			
Individuals, Organizations, and Other Governments	2,051,416,687.24	29,181,274.15	2,080,597,961.39
Total Net Assets	<u>\$ 2,051,416,687.24</u>	<u>\$ 29,181,274.15</u>	<u>\$ 2,080,597,961.39</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT I-2

Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2012

	Tobacco Settlement Permanent Trust Fund (0872) U/F (0872)	Permanent Endowment Fund-Baylor College of Medicine (0823) U/F (0823)	Total (Ex VII)
ADDITIONS			
Investment Income:			
From Investing Activities:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	\$ 32,878,010.03	\$ 605,042.78	\$ 33,483,052.81
Interest and Investment Income	24,164,146.86	1,121,563.50	25,285,710.36
Total Investing Income (Loss)	57,042,156.89	1,726,606.28	58,768,763.17
Less Investing Activities Expense			
Net Income from Investing Activities	<u>57,042,156.89</u>	<u>1,726,606.28</u>	<u>58,768,763.17</u>
From Securities Lending Activities:			
Securities Lending Income			
Less Securities Lending Expense:			
Borrower Rebates and Agent Fees			
Net Income from Securities Lending Activities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Net Investment Income (Loss)	<u>57,042,156.89</u>	<u>1,726,606.28</u>	<u>58,768,763.17</u>
Total Additions	<u>57,042,156.89</u>	<u>1,726,606.28</u>	<u>58,768,763.17</u>
DEDUCTIONS			
Transfers Out	50,000,000.00	1,436,508.67	51,436,508.67
Professional Fees and Services	6,064,356.97		6,064,356.97
Total Deductions	<u>56,064,356.97</u>	<u>1,436,508.67</u>	<u>57,500,865.64</u>
INCREASE (DECREASE) IN NET ASSETS	<u>977,799.92</u>	<u>290,097.61</u>	<u>1,267,897.53</u>
NET ASSETS			
Net Assets, September 1, 2011	2,050,438,887.32	28,891,176.53	2,079,330,063.85
Restatements			
Net Assets, September 1, 2011, as Restated	<u>2,050,438,887.32</u>	<u>28,891,176.53</u>	<u>2,079,330,063.85</u>
Net Assets, August 31, 2012	<u>\$2,051,416,687.24</u>	<u>\$29,181,274.14</u>	<u>\$2,080,597,961.38</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Suspense Fund (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	\$ 4,061,146.56	\$ 8,077,961.68	\$ 9,791,427.36	\$ 2,347,680.88
Total Assets	<u>\$ 4,061,146.56</u>	<u>\$ 8,077,961.68</u>	<u>\$ 9,791,427.36</u>	<u>\$ 2,347,680.88</u>
LIABILITIES				
Funds Held for Others	\$ 4,061,146.56	\$ 8,077,961.68	\$ 9,791,427.36	\$ 2,347,680.88
Total Liabilities	<u>\$ 4,061,146.56</u>	<u>\$ 8,077,961.68</u>	<u>\$ 9,791,427.36</u>	<u>\$ 2,347,680.88</u>
Bond and Investment Companies Trust Acct. (0908) U/F (0908)				
ASSETS				
Other Assets	\$ 115,000.00	\$	\$	\$ 115,000.00
Total Assets	<u>\$ 115,000.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 115,000.00</u>
LIABILITIES				
Funds Held for Others	\$ 115,000.00	\$	\$	\$ 115,000.00
Total Liabilities	<u>\$ 115,000.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 115,000.00</u>
Cigarette Stamp Tax Recovery Trust Fund (9999) U/F (3000)				
ASSETS				
Cash in Bank	\$ 156,352.77	\$ 8,661,669,897.24	\$ 8,661,826,250.01	\$
Investments				
Repurchase Agreements	33,829,259.63	8,605,244,002.68	8,607,593,697.39	31,479,564.92
Receivables:				
Interest and Dividends	9.40	26,740.62	26,610.65	139.37
Total Assets	<u>\$ 33,985,621.80</u>	<u>\$ 17,266,940,640.54</u>	<u>\$ 17,269,446,558.05</u>	<u>\$ 31,479,704.29</u>
LIABILITIES				
Funds Held for Others	\$ 33,985,621.80	\$ 26,654,861.89	\$ 29,160,779.40	\$ 31,479,704.29
Total Liabilities	<u>\$ 33,985,621.80</u>	<u>\$ 26,654,861.89</u>	<u>\$ 29,160,779.40</u>	<u>\$ 31,479,704.29</u>
Totals – All Agency Funds				
ASSETS				
Cash in Bank	\$ 156,352.77	\$ 8,661,669,897.24	\$ 8,661,826,250.01	\$
Cash in State Treasury	4,061,146.56	8,077,961.68	9,791,427.36	2,347,680.88
Investments				
Repurchase Agreements	33,829,259.63	8,605,244,002.68	8,607,593,697.39	31,479,564.92
Receivables:				
Interest and Dividends	9.40	26,740.62	26,610.65	139.37
Other Assets	115,000.00			115,000.00
Total Assets	<u>\$ 38,161,768.36</u>	<u>\$ 17,275,018,602.22</u>	<u>\$ 17,279,237,985.41</u>	<u>\$ 33,942,385.17</u>
LIABILITIES				
Payables	\$	\$	\$	\$
Funds Held for Others	38,161,768.36	34,732,823.57	38,952,206.76	33,942,385.17
Total Liabilities	<u>\$ 38,161,768.36</u>	<u>\$ 34,732,823.57</u>	<u>\$ 38,952,206.76</u>	<u>\$ 33,942,385.17</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller Treasury – Fiscal (311)

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 1

Balance Sheet – Arising from Custodial Operations

August 31, 2012

(With Comparative Totals for August 31, 2011)

	August 31, 2012	August 31, 2011
ASSETS		
Cash		
Cash on Hand		
Cash in Vault	\$ 337,080.34	\$ 312,999.28
Checks Returned by State Depositories	1,041,530.53	1,121,938.12
Total Cash Items on Hand	<u>1,378,610.87</u>	<u>1,434,937.40</u>
State Funds and Suspense and Trust		
Accounts in Depositories Banks		
Demand Accounts	29,421,093.09	39,425,941.07
Time Accounts & Bid TX	518,247,700.00	532,749,000.00
Total Cash in State Depositories	<u>547,668,793.09</u>	<u>572,174,941.07</u>
Cash in TTSTC Treasury Fed Acct.	97,441.59	474,007,285.03
Total Cash in State Depositories and TTSTC Treasury Fed Acct.	<u>547,766,234.68</u>	<u>1,046,182,226.10</u>
Total Cash on Hand and In Banks	549,144,845.55	1,047,617,163.50
Total Trust Funds on Deposit with U.S. Treasury Unemployment Trust Fund	1,308,242,301.32	828,581,865.91
Total Cash	<u>1,857,387,146.87</u>	<u>1,876,199,029.41</u>
Investment In Texas Treasury Safekeeping Trust Company	<u>1,000,000.00</u>	<u>1,000,000.00</u>
Short-Term Investments		
United States Government Securities	1,499,850,000.00	1,606,018,450.21
Commercial Paper	1,660,279,122.54	1,304,901,526.39
Bankers Acceptance		19,980,866.67
Money Market Funds	522,000,000.00	1,000,000.00
Repurchase Agreements	6,473,999,999.73	967,000,000.00
Total Short-Term Investments	<u>10,156,129,122.27</u>	<u>3,898,900,843.27</u>
Long-Term Investments		
United States Government Securities	13,378,792,551.56	13,102,419,900.00
Government Mortgage Backed Securities	2,614,197,349.19	1,942,933,077.90
Asset backed Securities	2,245,194,951.12	1,291,208,213.53
Corporate Obligations	1,551,784,621.62	445,440,968.24
Supranational	355,583,000.00	
SBA's	63,126,258.52	38,207,460.31
Isreal Bonds	44,000,000.00	26,700,000.00
United States Government Securities – Lottery	1,066,956,347.88	1,170,716,638.31
Total Long-Term Investments	<u>21,319,635,079.89</u>	<u>18,017,626,258.29</u>
	32,066,745,432.84	
Securities Held in Trust – Both Corporate and Governmental		
State Funds Investment Accounts	38,437,079.25	59,508,895.80
Bonds and Securities Pledged to Guarantee State Depositories' Deposits	1,113,530,016.00	1,175,426,252.00
Other Securities Pledged under Statutory Requirements	<u>1,703,431,050.59</u>	<u>1,694,013,237.45</u>
Total Securities Held in Trust – Both Corporate and Governmental	<u>2,855,398,145.84</u>	<u>2,928,948,385.25</u>
Accounts Receivable		
Interest Receivable	<u>40,836,385.13</u>	<u>49,035,575.46</u>
Total Assets – Arising From Custodial Operations	<u>\$ 36,230,385,880.00</u>	<u>\$ 26,771,710,091.68</u>

Concluded on the following page

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 1 (concluded)

Balance Sheet – Arising from Custodial Operations

August 31, 2012

(With Comparative Totals for August 31, 2011)

	August 31, 2012	August 31, 2011
LIABILITIES AND ACCOUNTABILITY		
Liabilities		
Accounts Payable – Warrants Outstanding – State Funds and Suspense and Trust Accounts	\$ 423,241,114.50	\$ 488,137,444.00
Obligations under Reverse Repurchase Agreements	66,293,255.25	68,712,578.50
Pending Purchases		104,453,125.00
Options Written, at Fair Value	593,750.00	1,953,125.01
Interest Payable	28.31	23.15
Total Liabilities	490,128,148.06	663,256,295.66
Accountability		
Available Cash Balance and Investments:		
State Funds and Suspense and Trust Accounts	30,509,660,936.89	21,180,206,906.55
Fund 0895 Lottery Prize Trust Fund	1,066,956,347.88	1,170,716,638.31
Total Available Cash Balances and Investments	31,576,617,284.77	22,350,923,544.86
Trust Account – Unemployment Trust Fund	1,308,242,301.32	828,581,865.91
State Fund Investments	38,437,079.25	59,508,895.80
Trust Fund Securities:		
Collateral of Deposits	1,113,530,016.00	1,175,426,252.00
Pledged under Statutory Requirements	1,703,431,050.59	1,694,013,237.45
Total Trust Fund Securities	2,816,961,066.59	2,869,439,489.45
Total Accountability	35,740,257,731.93	26,108,453,796.02
Total Liabilities and Accountability – Arising from Custodial Operations	\$ 36,230,385,879.99	\$ 26,771,710,091.68

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 2

**Comparative Summary of Securities Held
For State Investment Accounts**

For the Fiscal Year Ended August 31, 2012

(With Comparative Memorandum Totals for the Fiscal Year Ended August 31, 2011)

	Percent	2012	2011	Increase- (Decrease)
BY CATEGORY				
Texas Water Development Board Funds				
TWDB-DFUND II Fund No. 0371		\$ 1,370,000	\$ 3,106,000	\$ (1,736,000)
TWDB-EDAP Fund No. 0375		435,000	584,000	(149,000)
Water Assistance Fund No. 0480		17,258,000	22,220,000	(4,962,000)
Water Loan Assistance Fund No. 0481		8,690,000	9,005,000	(315,000)
TWDB State Revolving Fund No. 0651		4,599,000	16,496,000	(11,897,000)
Texas Water Resource Finance Authority Fund No. 0751		6,085,079	6,697,896	(612,817)
Total Water Resources Funds		<u>38,437,079</u>	<u>58,108,896</u>	<u>(19,671,817)</u>
Other Funds				
Varner-Hogg State Park Account No. 0941		0	0	0
Real Estate Recovery Account No. 0971		0	1,400,000	(1,400,000)
Total Other Funds		<u>0</u>	<u>1,400,000</u>	<u>(1,400,000)</u>
Total All Funds		<u>\$ 38,437,079</u>	<u>\$ 59,508,896</u>	<u>\$ (21,071,817)</u>
BY TYPE OF SECURITY				
Corporate Stocks	0.00 %	\$ 0	\$ 0	\$ 0
U.S. Treasury Securities	0.00 %	0	1,400,000	(1,400,000)
U.S. Government Guaranteed Agencies Bonds, Notes, and Debentures and Debentures	44.00 %	17,258,000	22,220,000	(4,962,000)
School Districts, Junior College Districts, Cities, Counties and District Bonds	56.00 %	<u>21,179,079</u>	<u>35,888,896</u>	<u>(14,709,817)</u>
Totals	<u>100.00 %</u>	<u>\$ 38,437,079</u>	<u>\$ 59,508,896</u>	<u>\$ (21,071,817)</u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 3

**Summary of Collateral Securities Pledged by
State Depositories for All Types of Deposits**

For the Fiscal Year Ended August 31, 2012

	<u>PAR Value</u>	<u>Market Value</u>
BY LOCATION		
In Custody Texas Treasury Safekeeping Trust Company:		
Demand and Time Accounts		
District Accounts	\$ 10,850,000	\$ 13,753,000
Total Held by Texas Treasury Safekeeping Trust Company	<u>10,850,000</u>	<u>13,753,000</u>
In Vaults of Trustee Banks:		
Demand and Time Accounts		
District Accounts	78,008,000	72,234,000
Nondistrict Accounts	975,672,016	528,997,000
Total in Vaults of Trustee Banks	<u>1,053,680,016</u>	<u>601,231,000</u>
Letters of Credit held by Texas Comptroller	49,000,000	49,000,000 A
Total Pledged Collateral	<u>\$ 1,113,530,016</u>	<u>\$ 663,984,000 B</u>
BY FUND		
Time Depository Bonds Guaranty Account	<u>\$ 1,113,530,016</u>	<u>\$ 663,984,000</u>
Total Pledged Collateral	<u>\$ 1,113,530,016</u>	<u>\$ 663,984,000</u>

Note A: Includes Savings and Loan Associations. Includes 16 FHLB Letters of Credit from 4 Depositories valued at \$49,000,000.00

Note B: These amounts are exclusive of Federal Deposit Insurance Corporation Coverage

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Comptroller Treasury – Fiscal (311)

SCHEDULE 4

Summary of Pledges Under Statutory Requirements

For the Fiscal Year Ended August 31, 2012

Agency No.	Trust Fund No.	Agency/Fund Name	Securities Pledged
311	0908	COMPTROLLER–TREASURY FISCAL: Bond and Investment Companies Account	\$ 115,000
320	0936	TEXAS WORKFORCE COMMISSION: Unemployment Compensation Clearance Account	244
405	0940	TEXAS DEPARTMENT OF PUBLIC SAFETY: Motor Vehicle Proof of Responsibility Account	6,584,961
454	0893	TEXAS DEPARTMENT OF INSURANCE: Texas Worker's Compensation Self Insurance Trust Account	535,065,691
454	0921	TEXAS DEPARTMENT OF INSURANCE: Life, Health, Accident and Casualty Insurance Companies Account	1,095,983,758
537	5096	DEPARTMENT OF STATE HEALTH SERVICES: GR – Perpetual Care	<u>65,681,396</u>
TOTALS			<u><u>\$ 1,703,431,051</u></u>

UNAUDITED
Comptroller Treasury – Fiscal (311)

Texas Treasury
Safekeeping Trust Company (930)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

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Texas Treasury Safekeeping Trust Company (930)

Exhibit III

Combined Statement of Net Assets Proprietary Fund

August 31, 2012

	Total Proprietary Funds Fund (1004) U/F (1004)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash at Bank	\$ 52,449.26
Cash in State Treasury	656,955.48
Cash Equivalents	8,857,089.07
Receivables from:	
Interest and Dividends	226.23
Other	2,535,095.67
Prepaid Expenses	244,727.41
Total Current Assets	12,346,543.12
Non-Current Assets:	
Restricted:	
Cash in Bank	34,137,205.73
Investments	83,623.63
Capital Assets:	
Depreciable or Amortizable, Net	230,899.09
Total Non-Current Assets	34,451,728.45
Total Assets	46,798,271.57
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts Payable	646,575.88
Payroll Payable	1,685,158.27
Other	
Employees' Compensable Leave	369,111.27
Total Current Liabilities	2,700,845.42
Non-Current Liabilities: (Note 5)	
Employees' Compensable Leave	247,551.30
Total Non-Current Liabilities	247,551.30
Total Liabilities	2,948,396.72
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	230,899.09
Unrestricted	43,618,975.76
Total Net Assets	\$43,849,874.85

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

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Exhibit IV

**Combined Statement of Revenues, Expenses,
and Changes in Net Assets – Proprietary Fund**

For the Fiscal Year Ended August 31, 2012

	Total Proprietary Funds Fund (1004) U/F (1004)
OPERATING REVENUES	
Operating Revenues – Management Fees	\$ 19,161,559.14
Total Operating Revenues	<u>19,161,559.14</u>
OPERATING EXPENSES	
Salaries and Wages	6,714,245.82
Payroll Related Costs	1,162,478.33
Professional Fees and Services	2,767,054.30
Travel	124,954.41
Materials and Supplies	405,522.65
Communication and Utilities	462,948.98
Repairs and Maintenance	392,139.38
Rentals and Leases	21,523.13
Printing and Reproduction	16,157.49
Depreciation and Amortization	269,875.70
Other Operating Expenses	537,694.82
Total Operating Expenses	<u>12,874,595.01</u>
Operating Income (Loss)	<u>6,286,964.13</u>
NONOPERATING REVENUE (EXPENSES)	
Investment Income (Expense)	35,729.56
Settlement of Claims	
Total Nonoperating Revenues (Expenses)	<u>35,729.56</u>
Income (loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u>6,322,693.69</u>
OTHER REVENUES, EXPENSES, GAINS/LOSSES, AND TRANSFERS	
Transfers Out	
Transfer In	
Total Other Revenues, Expenses, Gains/Losses, and Transfers	<u>0.00</u>
Change in Net Assets	<u>6,322,693.69</u>
Total Net Assets, September 1, 2011	37,527,181.16
Restatements	
Total Net Assets, September 1, 2011, as Restated	<u>37,527,181.16</u>
Total Net Assets, August 31, 2012	<u><u>\$ 43,849,874.85</u></u>

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

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Texas Treasury Safekeeping Trust Company (930)

Exhibit V

Combined Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended August 31, 2012

	Total Proprietary Funds Fund (1004) U/F (1004)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	\$
Proceeds from Other Revenues	19,116,589.60
Payments to Employees	(7,503,610.36)
Payments for Other Expenses	(4,928,867.71)
Net Cash Provided by Operating Activities	<u>6,684,111.53</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Additions to Capital Assets	
Net Cash Used for Capital and Related Financing Activities	<u>0.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	6,581.57
Payments to Acquire Investments	
Net Cash Provided by Investing Activities	<u>6,581.57</u>
Net (Decrease) in Cash and Cash Equivalents	6,690,693.10
Cash and Cash Equivalents – September 1, 2011	37,013,006.44
Cash and Cash Equivalents – August 31, 2012	<u>\$43,703,699.54</u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	\$ 6,286,964.13
Adjustments to Operating Income to Net Cash Used by Operating Activities:	
Classification Differences	
Depreciation Expense	269,875.70
Changes in Assets/Liabilities:	
(Increase) Decrease in Accounts Receivables	(44,969.54)
(Increase) Decrease in Prepaid Expenses	(980.02)
Increase (Decrease) in Payables	173,221.26
Net Cash Provided by Operating Activities	<u>\$ 6,684,111.53</u>
Displayed As:	
Cash at Bank	\$ 52,449.26
Cash in State Treasury	656,955.48
Cash Equivalents – Repurchase Agreements	8,857,089.07
Restricted Cash and Cash Equivalents	34,137,205.73
	<u>\$43,703,699.54</u>

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

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Texas Treasury Safekeeping Trust Company (930)

Exhibit VI

Combined Statement of Net Assets – Fiduciary Funds

August 31, 2012

	External Investment Trust Funds (Exhibit H-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 1,269.99	\$ 148,161.71	\$ 149,431.70
Investments (Note 3)			
US Government and Agency Obligations	5,660,390,174.15	215,562,533.62	5,875,952,707.77
Repurchase Agreements	8,560,906,694.54		8,560,906,694.54
Commercial Paper	400,666,706.90		400,666,706.90
Interest Receivable	9,091,478.17	1,235,526.73	10,327,004.90
Total Assets	<u>14,631,056,323.75</u>	<u>216,946,222.06</u>	<u>14,848,002,545.81</u>
LIABILITIES			
Payables From:			
Dividends Payable	1,706,439.02		1,706,439.02
Accounts Payable			
Pending Purchase	4,500,000.00		4,500,000.00
Other Liabilities	566,697.05		566,697.05
Funds Held For Others		216,946,222.06	216,946,222.06
Total Liabilities	<u>6,773,136.07</u>	<u>216,946,222.06</u>	<u>223,719,358.13</u>
NET ASSETS			
Held in Trust For			
Pool Participants	14,624,283,187.68		14,624,283,187.68
Total Net Assets	<u>\$ 14,624,283,187.68</u>	<u>\$ 0.00</u>	<u>\$ 14,624,283,187.68</u>

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

Exhibit VII

Combined Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended August 31, 2012

	External Investment Trust Funds (Exhibit H-2)
ADDITIONS	
Investment Income	
Interest and Investment Income	\$ 26,765,888.47
Expenses:	
Management Fees and Expenses	(8,206,360.74)
Net Income from Investing Activities	18,559,527.73
Total Additions	18,559,527.73
Net Increase (Decrease) in Participant Investments	(613,594,027.82)
Net Increase (Decrease) in Net Assets	(595,034,500.09)
Net Assets – Beginning	
Restatements	
Net Assets, September 1, 2011	15,219,317,687.77
Net Assets, August 31, 2012	\$ 14,624,283,187.68

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

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Texas Treasury Safekeeping Trust Company (930)

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

GENERAL INTRODUCTION

The Texas Treasury Safekeeping Trust Company (“Texas Trust”) was created in 1986 by the 69th Legislature to provide a separate legal entity for the State Treasurer. The incorporation of the trust company was necessary to obtain direct access to services provided by the Federal Reserve System. The 77th Legislature amended the Texas Trust statute and the Texas Trust began operations as a separate State entity on Sept. 1, 2001. The Comptroller of Public Accounts (Comptroller) is the single shareholder of the Texas Trust and is charged with managing the Texas Trust. Texas Trust is one of only two state-owned trust companies with direct access to the Federal Reserve System.

The Texas Trust is authorized to manage, disburse, transfer, safekeep and invest funds and securities provided by statute or belonging to state and local entities and gives the Comptroller direct access to services provided by the Federal Reserve System.

This section of the report includes only those funds and accounts from which the Texas Trust’s own departmental activities are financed. The Texas Trust’s fiscal function (Agency 930) is reported in a separate section of this report.

Due to the significant changes related to 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 be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

There are no component units in which the Texas Trust is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds and account groups, each of which is considered a separate accounting entity. The funds and account groups used to reflect the Agency’s transactions are as follows:

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to report any activity for which a fee is charged to external users for services such as investment management and custodial services. The Texas Trust accounts for its daily operations using an enterprise fund. Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Fiduciary Fund Types

Agency Funds

Agencies use agency funds 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. The Texas Public Finance Authority Bond Escrow is used to hold funds for various defeased or refunded bonds.

External Investment Trust Funds

Agencies use external investment trust funds to account for the state's external portion of investment pools reported by the sponsoring government. The Texas Government Investment Pools (TexPool and TexPool Prime) are local government investment pools administered by the Texas Treasury Safekeeping Trust Company – Comptroller's office. The investor base consists of cities, counties, school districts, institutions of higher education, special districts, and other public entities of Texas.

BASIS OF ACCOUNTING

The Texas Trust financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All enterprise fund types are accounted for using the accrual basis of accounting. This includes unpaid Employee Compensable leave. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

The Texas Trust has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, which specifies that in addition to adopting all applicable GASB pronouncements, the Texas Trust has adopted Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to Nov. 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Texas Trust has elected to follow only GASB Standards issued subsequent to Nov. 30, 1989.

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.

Investments

Investments are reported at fair value based upon quoted market prices, with the change in fair value of investments captioned as Net Increase (Decrease) in the Fair Value of Investments, and interest income reported at the relevant stated interest rate.

NON-CURRENT RESTRICTED CASH AND CASH EQUIVALENTS

The Texas Trust maintains an account with the Depository Trust Company (DTC). In accordance with the agreement between DTC and the Texas Trust, \$137,383.00 in cash was held at DTC as of Aug. 31, 2012, in order to maintain the account.

The Texas Trust has agreed to maintain a \$34,000,000 clearing balance within its Federal Reserve account. Earnings on the clearing balance are used to offset fees associated with its use of Federal Reserve services. The Texas Trust Federal Reserve account balance reported in Restricted cash on Aug. 31, 2012 was \$33,999,822.73 from the Texas Trusts' Enterprise Fund.

Non-Current Restricted Investments

The Texas Trust has a balance of \$83,623.63 in stock with the Depository Trust Company as of Aug. 31, 2012.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 for furniture and equipment and building and building improvements of more than \$100,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized

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at cost or, if any purchased, at appraised fair value as of the date of acquisition. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

LIABILITIES

Accounts Payable

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

Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements, and the 'Fund Balance' is the difference between fund assets and liabilities on the enterprise fund statements.

Invested In Capital Assets, Net Of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

NOTE 2: Capital Assets

A summary of changes in General Fixed Assets for the year ended Aug. 31, 2012, is presented below:

	PRIMARY GOVERNMENT					Balance 8/31/12
	Balance 9/1/11	Adjustments*	Reclassification	Additions	Deletions	
BUSINESS-TYPE ACTIVITIES						
Depreciable Assets:						
Building and Building Improvements	\$ 311,519.07	\$	\$	\$	\$	\$ 311,519.07
Furniture and Equipment	671,707.53					671,707.53
Total Depreciable Assets at Historical Costs	<u>983,226.60</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>983,226.60</u>
Less Accumulated Depreciation For:						
Building and Building Improvements	(264,179.63)				(25,086.16)	(289,265.79)
Furniture and Equipment	(541,479.77)				(48,304.22)	(589,783.99)
Total Accumulated Depreciation	<u>(805,659.40)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(73,390.38)</u>	<u>(879,049.78)</u>
Depreciable Assets, Net	<u>177,567.20</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(73,390.38)</u>	<u>104,176.82</u>
Amortizable assets-intangible						
Computer software	2,231,060.42					2,231,060.42
Total amortizable assets-intangible	<u>2,231,060.42</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,231,060.42</u>
Less Accumulated amortization for:						
Computer software	(1,907,852.83)				(196,485.32)	(2,104,338.15)
Total accumulated amortization	<u>(1,907,852.83)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(196,485.32)</u>	<u>(2,104,338.15)</u>
Amortizable assets-Intangible, net	<u>323,207.59</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(196,485.32)</u>	<u>126,722.27</u>
Business-type Activities Capital Assets, Net	<u>500,774.79</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(269,875.70)</u>	<u>230,899.09</u>

NOTE 3: Deposits, Investments & Repurchase Agreements

All monies in funds established in the Texas Trust by the State Constitution or by an act of the Legislature are pooled for investment purposes. All monies of the Trust Company are invested according to Section 404.106 of the Government Code.

1. Investment Authority

A. Section 404.024 of the Government Code permits the investment of these funds in the following instruments:

1. fully collateralized time deposits in banks and savings and loan associations domiciled in the state which have been approved by the State Depository Board to receive state deposits;
2. direct security repurchase agreements;
3. reverse repurchase agreements;
4. direct obligations of, or obligations the principal and interest of which are guaranteed by the United States, its' agencies and instrumentalities;
5. bankers' acceptances that: (i) are eligible for purchase by the Federal Reserve System, (ii) do not exceed 270 days to maturity, and (iii) are issued by a bank that has received the highest short-term credit rating by a nationally recognized investment firm;
6. commercial paper that has received the highest short-term credit rating by a nationally recognized investment rating firm and does not exceed 270 days to maturity;
7. and, contracts written by the Comptroller in which the Comptroller grants the purchaser the right, for a fee, to purchase securities in the Texas Trust's marketable securities portfolio at a specified price over a specified period. These contracts are commonly known as covered call options. Uncovered option trading is specifically prohibited.

B. No more than 20% of the aggregate funds on deposit in financial institutions at any time may be placed by the Comptroller in savings and loan associations.

C. Repurchase and reverse repurchase agreements may be entered into by the Comptroller only with state or national banks doing business in Texas or primary dealers approved by the Federal Reserve System.

2. There were no significant violations of legal provisions during the period.

3. DEPOSITS OF CASH IN BANK

A. **Collateralization and Risk Categorization**—In accordance with state law, all amounts deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation are fully collateralized by the pledging, to the Texas Trust, of securities valued at market, excluding accrued interest. Generally the list of eligible securities includes all U.S. Government and most Agency Obligations, including certain mortgage backed securities issued by state agencies and political subdivisions within the State. All securities pledged to the Texas Trust must be held by any Federal Reserve Bank or one of its branches or the Texas Trust.

Securities pledged as collateral on Aug. 31, 2012, were categorized under the Political Subdivision Securities, Moody's Investors Service Ratings AAA or U.S. Government Securities as U.S. Treasury Bills or U.S. Treasury Notes and Bonds.

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As of Aug. 31, 2012, the balance of cash at bank and carrying amount of cash is presented below.

Bank Balance	\$34,520,358.96
Carrying Amount	\$34,339,086.69
Business-Type Activities	
Proprietary Funds Cash at Bank	\$ 52,449.26
Proprietary Funds Non-Current Restricted Cash at Bank	34,137,205.73
Cash in Bank per AFR	<u>\$34,189,654.99</u>
Fiduciary Funds	
Fiduciary Funds Cash at Bank	\$ 149,431.70
Total Cash at Bank	\$34,339,086.69

The Trust Company's contract with the Federal Reserve Bank permits the Trust Company to wire transfer funds for the purpose of facilitating investment transactions. Correspondingly, a minimum cash balance is maintained in the account to generate earnings credits sufficient to partially offset the costs of the services received. As these investment transactions occur, the Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account intraday and at the end of the day.

4. INVESTMENTS

As of Aug. 31, 2012, the carrying and fair value of investments are presented below. All securities are insured or registered by the Texas Trust or its agent in the Texas Trust's name. Therefore there is no custodial credit risk.

Carrying Value and Market Value As of 08/31/2012		
	Carrying Value	Fair Value
Business-Type Activities		
Repurchase Agreements	\$ 8,857,089.07	\$ 8,857,089.07
Equities	83,623.63	83,623.63
Total Business-Type Activities	<u>8,940,712.70</u>	<u>8,940,712.70</u>
Fiduciary Funds-TPFA Escrow		
US Treasury Securities	215,562,533.62	215,562,533.62
Total TPFA Escrow	<u>215,562,533.62</u>	<u>215,562,533.62</u>
Fiduciary Funds-Texpool & Texpool Prime		
US Government Agencies	5,535,112,501.39	5,535,906,559.70
US Treasury Securities	125,277,672.76	125,276,400.00
Commercial Paper	400,666,706.90	400,701,135.00
Repurchase Agreements	8,560,906,694.54	8,560,906,694.54
Total Texpool & Texpool Prime	<u>14,621,963,575.59</u>	<u>14,622,790,789.24</u>
Total Fiduciary Investments	14,837,526,109.21	14,838,353,322.86
Total Categorized Investments	<u>\$14,846,466,821.91</u>	<u>\$14,847,294,035.56</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its Obligation. The Trust Company only invests in overnight Repurchase Agreements which are collateralized by US Government Securities, US Government Agencies or Government Sponsored Enterprises. TexPool and TexPool Prime portfolios are designed and managed to ensure that they maintain a AAAM rating (or the equivalent) by a nationally recognized statistical rating organization ("NRSRO"). As of Aug. 31, 2012 TexPool Prime's investments in commercial paper were rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service, and F-1 by Fitch ratings. Standard & Poor's ranks both TexPool and TexPool Prime with the highest principal stability rating of AAAM.

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Standard & Poor's					
Fund Type	Fund	Investment Type	AAA	AA	N/R
05	1004	Repurchase Agreements	\$	\$ 8,857,089.07	
			A-1	A-2	N/R
18	3181	Repurchase Agreements	8,560,906,694.54		
18	3181	US Government Agencies	5,535,906,559.70		
18	3181	Commercial Paper	400,701,135.00		

Concentration of credit risk. Up to 100% of Texpool and TexPool Prime assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes. Up to 100% of Texpool and TexPool Prime assets may be invested in repurchase agreements. Up to 100% of Texpool and Texpool Prime assets may be invested in direct repurchase agreements. However, no more than 25% of Texpool and TexPool Prime assets may be invested in term repurchase agreements and no more than 5% of Texpool and TexPool Prime assets may be invested in term repurchase agreements with maturities exceeding 90 days. Up to 75% of TexPool Prime assets may be invested in commercial paper. However, no more than 25% of TexPool Prime assets may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry. No more than 5% of TexPool Prime assets at the time of purchase may be invested in a single corporate entity. As of Aug. 31, 2012 5.44% of the TexPool Prime assets were invested in commercial paper issued by BASF Aktiengesellsch; 5.50% of the TexPool Prime assets were invested in commercial paper issued by Market St Fnd Corporation; 5.09% of the TexPool Prime assets were invested in commercial paper issued by Sanofi-Aventis; and 5.04% of the TexPool Prime assets were invested in commercial paper issued by Fairway Finance Corporation. The percentage ownership was below 5% at the time of purchase. TexPool and TexPool Prime's investment policy has no limit on the amount it may invest on any single Governmental Sponsored Enterprise. More than 5% of the TexPool investments are with the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Straight A Funding LLC. These investments are 15.14%, 9.13%, 7.77%, and 5.21% respectively, at Aug. 31, 2012.

Federal Home Loan Bank	\$2,064,851,759.95	15.14%
Federal Home Loan Mortgage Corporation	1,245,488,051.53	9.13%
Federal National Mortgage Association	1,059,514,752.72	7.77%
Straight A Funding LLC	709,787,250.00	5.21%

Interest rate risk. The weighted average maturity of the portfolio is limited to 60 days calculated using the reset date for variable rate notes ("VRNs") and 90 days or fewer using the final maturity date for VRNs, with the maximum maturity for any individual security in the portfolio not exceeding 397 days for fixed rate securities and 24 months for VRNs. The following schedule reflects the weighted average maturity by investment type and as a whole.

Investment Type	Weighted Average Maturity (Days)	
	TexPool	TexPool Prime
Repurchase Agreements	4	4
Commercial Paper	-	50
U.S. Government Agency Securities	88	138
U.S. Government Treasuries	15	227
Weighted Average Maturity	38	43

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended Aug. 31, 2012, the following changes occurred in liabilities.

Business-Type Activities	Balance Sept. 1, 2011	Additions	Reductions	Balance Aug. 31, 2012	Amounts Due Within One Year
Compensable Leave	\$603,931.27	\$526,862.64	\$514,131.34	\$616,662.57	\$369,111.27
Total Business-Type Activities	<u>\$603,931.27</u>	<u>\$526,862.64</u>	<u>\$514,131.34</u>	<u>\$616,662.57</u>	<u>\$369,111.27</u>

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in Governmental and/or Expendable Trust fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 6: Capital Leases

(Not Applicable)

NOTE 7: Derivative Instruments

(Not Applicable)

NOTE 8: : Leases

(Not Applicable)

NOTE 9: : Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the state subject only to the claims of the state's general creditors. Participant's rights under the plan are equal to those of the general creditors of the state in an amount equal to the fair market value of the 457 account for each participant.

The state has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future. The state also administers another plan, 'Texsaver' created in accordance with Internal Revenue Code Sec. 401(k). However, the assets of this plan do not belong to the state nor does the state have a liability related to this plan.

NOTE 11: Postemployment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

(Not Applicable)

NOTE 13: Continuance Subject To Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Assets

(Not Applicable)

NOTE 15: : Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussions and Allowances

The following events occurred at our agency:

The Texas Treasury Safekeeping Trust Company (“Texas Trust”) was created in 1986 by the 69th Legislature to provide a separate legal entity for the State Treasurer. The incorporation of the trust company was necessary to obtain direct access to services provided by the Federal Reserve System, namely wire and custody services, and resulted in cost savings to the State of Texas. Texas Trust is one of only two state-owned trust companies with direct access to the Federal Reserve System.

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 22: Donor-Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances (Not Applicable)

(Not Applicable)

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

NOTE 27: Related parties

The Texas Trust has entered into a services agreement with the Comptroller of Public Accounts (CPA). The agreement provides for specified rates based on hours of utilization. As of Aug. 31, 2012, the Texas Trust paid CPA \$33,389.72 for services provided. At Aug. 31, 2012, the Texas Trust had accrued \$8,523.31 for services provided by CPA and this amount is included in accounts payable.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Exhibit H-1

**Combining Statement of Fiduciary Net Assets –
External Investment Trust Funds**

August 31, 2012

	Texas Treasury Safekeeping Trust Company TEXPOOL (9999) U/F (6050)	Texas Treasury Safekeeping Trust Company TEXPOOL/Prime (9999) U/F (7050)	Totals (Ex VI)
ASSETS			
Cash In Bank	\$ 945.24	\$ 324.75	\$ 1,269.99
Investments			
US Government and Agency Obligations	5,526,671,130.47	133,719,043.68	5,660,390,174.15
Repurchase Agreements	8,109,400,694.54	451,506,000.00	8,560,906,694.54
Commercial Paper		400,666,706.90	400,666,706.90
Interest Receivable	8,851,457.77	240,020.40	9,091,478.17
Total Assets	<u>13,644,924,228.02</u>	<u>986,132,095.73</u>	<u>14,631,056,323.75</u>
LIABILITIES			
Dividends Payable	1,578,420.75	128,018.27	1,706,439.02
Accounts Payable			
Pending Purchase		4,500,000.00	4,500,000.00
Other Liabilities	566,697.05		566,697.05
Total Liabilities	<u>2,145,117.80</u>	<u>4,628,018.27</u>	<u>6,773,136.07</u>
NET ASSETS			
Held in Trust For:			
Pool Participants	13,642,779,110.22	981,504,077.46	14,624,283,187.68
Total Net Assets	<u>\$ 13,642,779,110.22</u>	<u>\$ 981,504,077.46</u>	<u>\$ 14,624,283,187.68</u>

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Exhibit H-2

**Combining Statement of Changes in Fiduciary Net Assets –
External Investment Trust Funds**

For the Fiscal Year Ended August 31, 2012

	Texas Treasury Safekeeping Trust Company TEXPOOL (9,999) U/F (6050)	Texas Treasury Safekeeping Trust Company TEXPOOL/Prime (9,999) U/F (7050)	Totals (Ex VII)
ADDITIONS			
Investment Income			
Interest and Investment Income	\$ 24,530,048.48	\$ 2,235,839.99	\$ 26,765,888.47
Expenses:			
Management Fees and Expenses	(7,515,405.36)	(690,955.38)	(8,206,360.74)
Net Income from Investing Activities	17,014,643.12	1,544,884.61	18,559,527.73
Total Additions	17,014,643.12	1,544,884.61	18,559,527.73
Net Increase (Decrease) in Participant Investments	(587,020,466.22)	(26,573,561.60)	(613,594,027.82)
Net Increase (Decrease) in Net Assets	(570,005,823.10)	(25,028,676.99)	(595,034,500.09)
Net Assets, September 1, 2011	14,212,784,933.32	1,006,532,754.45	15,219,317,687.77
Net Assets, August 31, 2012	\$ 13,642,779,110.22	\$ 981,504,077.46	\$ 14,624,283,187.68

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Exhibit J-1

**Combining Statement of Changes in Assets and Liabilities –
Agency Funds**

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Texas Public Finance Authority (9999) U/F (4000)				
ASSETS				
Cash in Bank	\$ 148,509.21	\$ 163,162,012.50	\$ 163,162,360.00	\$ 148,161.71
Interest and Dividend Receivable	1,390,532.92	3,365,922.29	3,520,928.48	1,235,526.73
Investments:				
(US Gov & Agencies Oblig)	359,704,545.49	151,482.18	144,293,494.05	215,562,533.62
Total Assets	<u>361,243,587.62</u>	<u>166,679,416.97</u>	<u>310,976,782.53</u>	<u>216,946,222.06</u>
LIABILITIES				
Funds Held for Others	361,243,587.62	3,495,868.51	147,793,234.07	216,946,222.06
Total Liabilities	<u>\$ 361,243,587.62</u>	<u>\$ 3,495,868.51</u>	<u>\$ 147,793,234.07</u>	<u>\$ 216,946,222.06</u>

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Comptroller State Energy
Conservation Office (907)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller State Energy Conservation Office (907)

UNAUDITED
Comptroller State Energy Conservation Office (907)

EXHIBIT I

Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2012

	General Funds (Exh A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
ASSETS						
Current Assets:						
Cash:						
Cash in State Treasury	\$ 103,593,202.32	\$ 103,593,202.32	\$	\$	\$	\$ 103,593,202.32
Legislative Appropriations	5,492,494.05	5,492,494.05				5,492,494.05
Receivables From:						
Federal	27,966,118.97	27,966,118.97				27,966,118.97
Accounts Receivable						
Due from other Agencies						
Interfund Receivables (Note 12)	3,681,818.56	3,681,818.56				3,681,818.56
Loans and Contracts	11,391,421.41	11,391,421.41				11,391,421.41
Total Current Assets	<u>152,125,055.31</u>	<u>152,125,055.31</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>152,125,055.31</u>
Non-Current Assets:						
Loans and Contracts	54,534,363.79	54,534,363.79				54,534,363.79
Interfund Receivables (Note 12)	34,629,050.00	34,629,050.00				34,629,050.00
Total Non-Current Assets	<u>89,163,413.79</u>	<u>89,163,413.79</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>89,163,413.79</u>
Total Assets	<u>\$241,288,469.10</u>	<u>\$241,288,469.10</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$241,288,469.10</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Cash in State Treasury						
Accounts	\$ 11,740,268.69	\$ 11,740,268.69	\$	\$	\$	\$ 11,740,268.69
Payroll	138,891.95	138,891.95				138,891.95
Interfund Payables (Note 12)						
Due to Other Agencies	11,583,654.26	11,583,654.26				11,583,654.26
Deferred Revenues	29,538,683.59	29,538,683.59				29,538,683.59
Employees Compensable Leave (Note 5)				80,162.59		80,162.59
Total Current Liabilities	<u>53,001,498.49</u>	<u>53,001,498.49</u>	<u>0.00</u>	<u>80,162.59</u>	<u>0.00</u>	<u>53,081,661.08</u>
Non-Current Liabilities:						
Employees Compensable Leave (Note 5)				59,142.41		59,142.41
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>59,142.41</u>	<u>0.00</u>	<u>59,142.41</u>
Total Liabilities	<u>53,001,498.49</u>	<u>53,001,498.49</u>	<u>0.00</u>	<u>139,305.00</u>	<u>0.00</u>	<u>53,140,803.49</u>
Fund Balances (Deficits):						
Nonspendable-Long Term Loans and Contracts	46,481,185.15	46,481,185.15				46,481,185.15
Restricted	58,957,370.95	58,957,370.95				58,957,370.95
Committed	51,517,642.24	51,517,642.24				51,517,642.24
Assigned	30,491,043.26	30,491,043.26				30,491,043.26
Unassigned	839,729.01	839,729.01				839,729.01
Total Fund Balances	<u>188,286,970.61</u>	<u>188,286,970.61</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>188,286,970.61</u>
Total Liabilities and Fund Balances	<u>\$241,288,469.10</u>	<u>\$241,288,469.10</u>				

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Net Assets:			
Restricted for:			
Employee Benefits (Note 5)		(139,305.00)	(139,305.00)
Total Net Assets	<u>\$ 0.00</u>	<u>\$ (139,305.00)</u>	<u>\$ 241,288,469.10</u>

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

UNAUDITED
Comptroller State Energy Conservation Office (907)

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

	General Funds (Exh A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$ 661,997.00	\$ 661,997.00	\$	\$	\$	\$ 661,997.00
Additional Appropriations	9,070.23	9,070.23				9,070.23
Federal Revenue (Schedule 1A)	106,274,605.80	106,274,605.80				106,274,605.80
Interest and Investment Income	2,779,175.41	2,779,175.41				2,779,175.41
Other						
Total Revenues	<u>109,724,848.44</u>	<u>109,724,848.44</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>109,724,848.44</u>
EXPENDITURES						
Salaries and Wages	1,366,930.18	1,366,930.18		(39,903.96)		1,327,026.22
Payroll Related Costs	300,807.89	300,807.89				300,807.89
Professional Fees and Services	2,680,144.01	2,680,144.01				2,680,144.01
Travel	23,229.95	23,229.95				23,229.95
Materials and Supplies	10,195.63	10,195.63				10,195.63
Communication and Utilities	1,806.44	1,806.44				1,806.44
Repairs & Maintenance	227.50	227.50				227.50
Rentals & Leases	23,386.01	23,386.01				23,386.01
Federal Pass-Through Expenditures (Schedule 1A)	15,923,988.18	15,923,988.18				15,923,988.18
State Pass-Through Expenditures (Schedule 1B)	267,042.41	267,042.41				267,042.41
Intergovernmental Payments	62,648,953.07	62,648,953.07				62,648,953.07
Public Assistance Payments	1,011,811.58	1,011,811.58				1,011,811.58
Other Expenditures	628,548.64	628,548.64				628,548.64
Total Expenditures/Expenses	<u>84,887,071.49</u>	<u>84,887,071.49</u>	<u>0.00</u>	<u>(39,903.96)</u>	<u>0.00</u>	<u>84,847,167.53</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,837,776.95</u>	<u>24,837,776.95</u>	<u>0.00</u>	<u>39,903.96</u>	<u>0.00</u>	<u>24,877,680.91</u>
OTHER FINANCING SOURCES (USES)						
Transfers In						
Transfers Out						
Total Other Financing Sources and Uses	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	<u>24,837,776.95</u>	<u>24,837,776.95</u>				<u>24,877,680.91</u>
FUND FINANCIAL STATEMENT – FUND BALANCES						
Fund Balances – Beginning	163,449,193.66	163,449,193.66				163,449,193.66
Restatements						
Fund Balances, September 1, 2011, as Restated	163,449,193.66	163,449,193.66	0.00	0.00	0.00	163,449,193.66
Appropriations Lapsed						
Fund Balances – August 31, 2012	<u>\$ 188,286,970.61</u>	<u>\$ 188,286,970.61</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 188,286,970.61</u>
GOVERNMENT-WIDE STATEMENT OF NET ASSETS						
Net Assets/Net Change in Net Assets		\$ 188,286,970.61	\$	\$ 39,903.96	\$	\$ 188,326,874.57
Net Assets – Beginning				(179,208.96)		(179,208.96)
Net Assets, September 1, 2011, as Restated			0.00	(179,208.96)	0.00	(179,208.96)
Net Assets – August 31, 2012		<u>\$ 188,286,970.61</u>	<u>\$ 0.00</u>	<u>\$ (139,305.00)</u>	<u>\$ 0.00</u>	<u>\$ 188,147,665.61</u>

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The State Energy Conservation Office (SECO) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts Reporting Requirements for State Agencies.

The function of the State Energy Conservation Office is to promote and provide for the efficient use of energy, while protecting human health and safety, and the environment. SECO administers and delivers a variety of energy efficiency and renewable programs that significantly impact energy cost and consumption in the institutional, industrial, transportation and residential sectors.

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

There are no component units in which the State Energy Conservation Office is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

Governmental Fund Types

The General Revenue Fund (Fund 0001) is the principle operating fund used to account for most of the state’s general activities. It accounts for all financial resources except those required to be accounted for in other funds. The Federal American Recovery and Reinvestment Act (ARRA) Fund (Fund 0369) is the operating fund used to account for federal stimulus program funds received by the state.

Long-Term Liability Adjustments

Long-Term Liabilities Adjustment fund (Fund 9997) will be used to convert governmental fund types’ debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

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. The agency fund is USPS - Overpayments To Employees (Fund 0900).

BASIS OF ACCOUNTING

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

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

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation and unpaid Employee Compensable Leave. The activity will be recognized in these fund types.

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). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated, unless the agency has authority to retain unexpended balances for use in future periods.

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term investments with maturities of three months or less at the time of purchase are reported as cash equivalents.

Federal Receivables-Current

This represents federal grant reimbursements including indirect costs that have been earned but not received.

Loans and Contracts

General Revenue Loan Programs

LoanSTAR Program

The State Energy Conservation Office also offers loans from the oil overcharge LoanSTAR fund for energy related cost reduction projects. These low interest loans are made to state agencies and public institutions and are paid back with the funds saved from the reduction of energy costs.

Federally Funded Loan Programs

State Energy Program (SEP- CFDA 81.041)

The Comptroller State Energy Conservation Office receives an annual grant from the U.S. Department of Energy (DOE) to provide funds for the State Energy Program. These low interest loans enable the municipalities to maximize their energy efficiency through building retrofits. The loans are paid back with funds saved from the reduction of energy costs.

American Recovery and Reinvestment Act (ARRA-CFDA 81.041)

During 2009, the State Energy Conservation Office began offering a revolving loan program made available by the Department of Energy through the American Recovery and Reinvestment Act of 2009. This program is a low interest loan program intended to assist governmental entities in financing their energy related cost reduction efforts utilizing the program's "Loan Assistance for Building Energy Efficiency and Retrofit Activities" established by the Notice of Loan Availability (NOLFA) issued in the Texas Register on Oct. 30, 2009.

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.

Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that become "due" upon the occurrence of relevant events such as resignations, retirements, and uses of annual, overtime, compensatory or sick leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

FUND BALANCE/NET ASSETS

- Fund balance is the difference between fund assets and liabilities on the governmental fund statements. The fund balance amounts for governmental funds are classified in accordance with GASB 54 as nonspendable, restricted, committed, assigned and unassigned.
 - 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.
 - Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
 - 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.
 - 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.
 - 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.

INTERFUND ACTIVITIES AND BALANCES

Interfund transaction refers to interactions with legally separate entities such as other state agencies and is restricted to external events. The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

Interfund loans are reported as current and non-current interfund receivables which represents the Loan STAR and American Recovery and Reinvestment Act Revolving Loan Programs and reimbursements from funds within the agency. Under the classified reporting method, individual assets typically are categorized as either current or noncurrent based on whether they are expected to generate or use cash within 12 months of the end of the fiscal period. The composition of the agency's interfund receivables are presented in Note 12.

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

(Not Applicable)

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long-Term Liabilities

Changes In Long-Term Liabilities

During the year ended Aug. 31, 2012, the following changes occurred in liabilities.

Governmental Activities	Balance Sept. 1, 2011	Additions	Reductions	Balance Aug. 31, 2012	Amounts Due Within One Year	Amounts Due Thereafter
Compensable Leave	\$ 179,208.96	\$ 135,127.92	\$ 175,031.88	\$ 139,305.00	\$ 80,162.59	\$ 59,142.41
Total Governmental	<u>\$ 179,208.96</u>	<u>\$ 135,127.92</u>	<u>\$ 175,031.88</u>	<u>\$ 139,305.00</u>	<u>\$ 80,162.59</u>	<u>\$ 59,142.41</u>

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Post employment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Receivables and Payables

As explained in Note 1 on Interfund Transactions and Balances there are numerous transactions between funds and agencies. The required disclosure for interfund receivables is as follows.

UNAUDITED
Comptroller State Energy Conservation Office (907)

	Current Interfund Receivable	Current Interfund Payable	Purpose
Current Portion			
Appd Fund 5005, D23 Fund 0515			
Agency 537, Texas Dpt. Of State Health Services	\$ 109,529.95	\$	Lone Star Loans
Agency 539, Department of Aging and Disabilitiy	168,709.72		Lone Star Loans
Agency 715, Prairie View A&M University	620,263.36		Lone Star Loans
Total Interfund Receivable/Payable	<u>\$ 898,503.03</u>	<u>\$ 0.00</u>	
Non-Current Portion			
Appd Fund 5005, D23 Fund 0515			
Agency 303, Texas Facilities Commission	\$ 1,867,679.56	\$	Lone Star Loans
Agency 537, Texas Dpt. Of State Health Services	360,399.61		Lone Star Loans
Agency 539, Department of Aging and Disabilitiy	644,731.51		Lone Star Loans
Agency 715, Prairie View A&M University	1,751,085.32		Lone Star Loans
Agency 719, Texas State Technical College Harlingen	1,178,665.96		Lone Star Loans
Total Interfund Receivable/Payable	<u>\$ 5,802,561.96</u>	<u>\$ 0.00</u>	
Current Portion			
Appd Fund 0369, D23 Fund 2370			
Agency 714, UT at Arlington	\$ 1,035,740.35	\$	American Recovery and Reinvestment Act Loans
Agency 735, Midwestern	251,569.88		American Recovery and Reinvestment Act Loans
Agency 755, Stephen F. Austin State University	1,496,005.30		American Recovery and Reinvestment Act Loans
Total Interfund Receivable/Payable	<u>\$ 2,783,315.53</u>	<u>\$ 0.00</u>	
Non-Current Portion			
Appd Fund 0369, D23 Fund 2370			
Agency 714, UT at Arlington	\$ 8,403,375.51	\$	American Recovery and Reinvestment Act Loans
Agency 711, A&M University	2,340,088.30		American Recovery and Reinvestment Act Loans
Agency 719, Texas State Technical College_WACO	4,839,704.02		American Recovery and Reinvestment Act Loans
Agency 735, Midwestern	2,041,489.15		American Recovery and Reinvestment Act Loans
Agency 745, UT Health Science Center At San Antonio	7,159.87		American Recovery and Reinvestment Act Loans
Agency 755, Stephen F. Austin State University	11,194,671.19		American Recovery and Reinvestment Act Loans
Total Interfund Receivable/Payable	<u>\$ 28,826,488.04</u>	<u>\$ 0.00</u>	

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustment to Fund Balances/Net Assets

(Not Applicable)

NOTE 15: Contingencies & Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

(Not Applicable)

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 21: N/A

(Not Applicable)

NOTE 22: Donor Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances

(Not Applicable)

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

UNAUDITED
Comptroller State Energy Conservation Office (907)

UNAUDITED
Comptroller State Energy Conservation Office (907)

EXHIBIT A-1

Combining Balance Sheet – All General and Consolidated Funds

August 31, 2012

	General Revenue Fund (0001) U/F (0001), (0223), (0224), (0225) (0226), (0227), (0228), (0369) (0510), (0512), (1369), (1999), (2000), (2369), (2370), (3369), (4369), (5369), (6369), (7369), (7370)	General Revenue Oil Overcharge Fund (5005) UF (0505), (0515) (0525), (0535) (0545), (2005), (5999)	Total (Exh I)
ASSETS			
Current Assets:			
Cash			
Cash in State Treasury	\$ 23,207,682.23	\$ 80,385,520.09	\$ 103,593,202.32
Legislative Appropriations	5,492,494.05		5,492,494.05
Receivables From:			
Federal	27,966,118.97		27,966,118.97
Accounts Receivable			
Due from Other Agencies			
Interfund Receivables (Note 12)	2,783,315.53	898,503.03	3,681,818.56
Loans and Contracts	2,258,360.74	9,133,060.67	11,391,421.41
Total Current Assets	<u>61,707,971.52</u>	<u>90,417,083.79</u>	<u>152,125,055.31</u>
Non-Current Assets:			
Loans and Contracts	17,654,697.11	36,879,666.68	54,534,363.79
Interfund Receivables (Note 12)	28,826,488.04	5,802,561.96	34,629,050.00
Total Noncurrent Assets	<u>46,481,185.15</u>	<u>42,682,228.64</u>	<u>89,163,413.79</u>
Total Assets	<u>\$ 108,189,156.67</u>	<u>\$ 133,099,312.43</u>	<u>\$ 241,288,469.10</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current Liabilities:			
Payables From:			
Accounts	\$ 11,665,846.19	\$ 74,422.50	\$ 11,740,268.69
Payroll	123,319.87	15,572.08	138,891.95
Interfund Payables (Note 12)			
Due To Other Agencies	11,543,132.09	40,522.17	11,583,654.26
Deferred Revenues	21,260,802.05	8,277,881.54	29,538,683.59
Employees' Compensable Leave (Note 5)			
Total Current Liabilities	<u>44,593,100.20</u>	<u>8,408,398.29</u>	<u>53,001,498.49</u>
Non-Current Liabilities:			
Employees' Compensable Leave (Note 5)			
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>44,593,100.20</u>	<u>8,408,398.29</u>	<u>53,001,498.49</u>
Fund Balances (Deficits):			
Nonspendable-Long Term Loans and Contracts	46,481,185.15		46,481,185.15
Restricted	16,275,142.31	42,682,228.64	58,957,370.95
Committed		51,517,642.24	51,517,642.24
Assigned		30,491,043.26	30,491,043.26
Unassigned	839,729.01		839,729.01
Total Fund Balances	<u>63,596,056.47</u>	<u>124,690,914.14</u>	<u>188,286,970.61</u>
Total Liabilities and Fund Balances	<u>\$ 108,189,156.67</u>	<u>\$ 133,099,312.43</u>	<u>\$ 241,288,469.10</u>

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

UNAUDITED
Comptroller State Energy Conservation Office (907)

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

	General Revenue Fund (0001) U/F (0001), (0223), (0224), (0225) (0226), (0227), (0228), (0369) (0510), (0512), (1369), (1999), (2000), (2369), (2370), (3369), (4369), (5369), (6369), (7369), (7370)	General Revenue Oil Overcharge Fund (5005) UF (0505), (0515) (0525), (0535) (0545), (2005), (5999)	Total (Exh II)
REVENUES			
Legislative Appropriations:			
Original Appropriations	\$ 661,997.00	\$	\$ 661,997.00
Additional Appropriations	9,070.23		9,070.23
Federal Revenue (Schedule 1A)	106,274,605.80		106,274,605.80
Interest and Investment Income	570,766.27	2,208,409.14	2,779,175.41
Other			
Total Revenues	<u>107,516,439.30</u>	<u>2,208,409.14</u>	<u>109,724,848.44</u>
EXPENDITURES			
Salaries and Wages	1,250,386.00	116,544.18	1,366,930.18
Payroll Related Costs	270,509.07	30,298.82	300,807.89
Professional Fees and Services	2,680,138.39	5.62	2,680,144.01
Travel	21,508.89	1,721.06	23,229.95
Materials and Supplies	10,167.63	28.00	10,195.63
Communication and Utilities	1,704.56	101.88	1,806.44
Repairs and Maintenance	227.50		227.50
Rentals & Leases	22,699.51	686.50	23,386.01
Federal Pass-Through Expenditures (Schedule 1A)	15,923,988.18		15,923,988.18
State Pass-Through Expenditures (Schedule 1B)	103,664.74	163,377.67	267,042.41
Intergovernmental Payments	62,388,863.81	260,089.26	62,648,953.07
Public Assistance Payments	526,487.50	485,324.08	1,011,811.58
Other Expenditures	628,254.07	294.57	628,548.64
Total Expenditures/Expenses	<u>83,828,599.85</u>	<u>1,058,471.64</u>	<u>84,887,071.49</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,687,839.45</u>	<u>1,149,937.50</u>	<u>24,837,776.95</u>
OTHER FINANCING SOURCES (USES)			
Transfers In			
Transfers Out			
Total Other Financing Sources and Uses	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	23,687,839.45	1,149,937.50	24,837,776.95
FUND FINANCIAL STATEMENT – FUND BALANCES			
Fund Balances – Beginning	39,908,217.02	123,540,976.64	163,449,193.66
Restatements			
Fund Balances, September 1, 2011, as Restated	<u>39,908,217.02</u>	<u>123,540,976.64</u>	<u>163,449,193.66</u>
Appropriations Lapsed			
Fund Balances – August 31, 2012	<u>\$ 63,596,056.47</u>	<u>\$ 124,690,914.14</u>	<u>\$ 188,286,970.61</u>

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

UNAUDITED
Comptroller State Energy Conservation Office (907)

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities – Agency Funds

August 31, 2012

	Beginning Balance Sep 1, 2011	Additions	Deductions	Ending Balance Aug 31, 2012
Suspense Fund (0900) U/F (0900)				
ASSETS				
Current				
Cash in State Treasury	\$	\$ 10,778,643.32	\$ 10,774,843.19	\$ 3,800.13
Total Assets	<u>\$ 0.00</u>	<u>\$ 10,778,643.32</u>	<u>\$ 10,774,843.19</u>	<u>\$ 3,800.13</u>
LIABILITIES				
Current				
Funds Held for Others		\$ 10,778,643.32	\$ 10,774,843.19	\$ 3,800.13
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 10,778,643.32</u>	<u>\$ 10,774,843.19</u>	<u>\$ 3,800.13</u>
Totals – All Agency Funds				
ASSETS				
Current				
Cash in State Treasury	\$	\$ 10,778,643.32	\$ 10,774,843.19	\$ 3,800.13
Total Assets	<u>\$ 0.00</u>	<u>\$ 10,778,643.32</u>	<u>\$ 10,774,843.19</u>	<u>\$ 3,800.13</u>
LIABILITIES				
Current				
Funds Held for Others	\$	\$ 10,778,643.32	\$ 10,774,843.19	\$ 3,800.13
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 10,778,643.32</u>	<u>\$ 10,774,843.19</u>	<u>\$ 3,800.13</u>

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

UNAUDITED
Comptroller State Energy Conservation Office (907)

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller State Energy Conservation Office (907)

Schedule 1A

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No.	Pass-through From		Direct Program Amount	Total PT From and Direct Program Amount
				Agencies or Universities Amount	Non-State Entities Amount		
U.S. DEPARTMENT OF ENERGY							
Direct Programs:							
State Energy Program	81.041			\$	\$	\$ 4,611,428.16	\$ 4,611,428.16
ARRA – State Energy Program	81.041					72,472,194.63	72,472,194.63
State Energy Program	81.041					4,754.63	4,754.63
<i>Pass-Through To:</i> <i>Texas A&M Engineering Experiment Station</i>							
State Energy Program	81.041					16,194.20	16,194.20
<i>Pass-Through To:</i> <i>Texas State Technical College System</i>							
State Energy Program	81.041					716,710.47	716,710.47
<i>Pass-Through To:</i> <i>University of Texas at Austin</i>							
State Energy Program	81.041					162,000.00	162,000.00
<i>Pass-Through To:</i> <i>Texas Tech University</i>							
ARRA – State Energy Program	81.041					2,430,403.44	2,430,403.44
<i>Pass-Through To:</i> <i>Railroad Commission of Texas</i>							
ARRA – State Energy Program	81.041					321,368.93	321,368.93
<i>Pass-Through To:</i> <i>University of Texas at Arlington</i>							
ARRA – State Energy Program	81.041					706,502.76	706,502.76
<i>Pass-Through To:</i> <i>Texas State Technical College System</i>							
ARRA – State Energy Program	81.041					1,028,626.42	1,028,626.42
<i>Pass-Through To:</i> <i>University of Texas at Austin</i>							
ARRA – State Energy Program	81.041					868,576.00	868,576.00
<i>Pass-Through To:</i> <i>University of Texas at El Paso</i>							
ARRA – State Energy Program	81.041					(13,146.45)	(13,146.45)
<i>Pass-Through To:</i> <i>University of Texas Southwestern Medical Center at Dallas</i>							
ARRA – State Energy Program	81.041					1,223,246.22	1,223,246.22
<i>Pass-Through To:</i> <i>University of Texas at San Antonio</i>							
ARRA – State Energy Program	81.041					779,736.51	779,736.51
<i>Pass-Through To:</i> <i>University of Texas Health Science Center at San Antonio</i>							
ARRA – State Energy Program	81.041					1,927,814.72	1,927,814.72
<i>Pass-Through To:</i> <i>University of North Texas</i>							
ARRA – State Energy Program	81.041					40,745.05	40,745.05
<i>Pass-Through To:</i> <i>West Texas A&M University</i>							
ARRA – State Energy Program	81.041					450,309.04	450,309.04
<i>Pass-Through To:</i> <i>Texas A&M University – Corpus Christi</i>							

UNAUDITED
Comptroller State Energy Conservation Office (907)

Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
	Agencies or Universities Amount	Non-State Entities Amount		
	\$	\$ 2,129,054.07	\$ 2,482,374.09	\$ 4,611,428.16
		48,641,653.93	23,830,540.70	72,472,194.63
				4,754.63
712	4,754.63			
				16,194.20
719	16,194.20			
				716,710.47
721	716,710.47			
				162,000.00
733	162,000.00			
				2,430,403.44
455	2,430,403.44			
				321,368.93
714	321,368.93			
				706,502.76
719	706,502.76			
				1,028,626.42
721	1,028,626.42			
				868,576.00
724	868,576.00			
				(13,146.45)
729	(13,146.45)			
				1,223,246.22
743	1,223,246.22			
				779,736.51
745	779,736.51			
				1,927,814.72
752	1,927,814.72			
				40,745.05
757	40,745.05			
				450,309.04
760	450,309.04			

Concluded on the following page

UNAUDITED
Comptroller State Energy Conservation Office (907)

Schedule 1A

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No.	Pass-through From		Direct Program Amount	Total PT From and Direct Program Amount
				Agencies or Universities Amount	Non-State Entities Amount		
U.S. DEPARTMENT OF ENERGY (concluded)							
Direct Programs: (concluded)							
ARRA – State Energy Program <i>Pass-Through To:</i> <i>Parks and Wildlife Department</i>	81.041			\$	\$	\$ 2,960,808.29	\$ 2,960,808.29
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106					51,256.04	51,256.04
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions <i>Pass-Through To:</i> <i>Department of Public Safety</i>	81.106					153,446.36	153,446.36
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions <i>Pass-Through To:</i> <i>Department of State Health Services</i>	81.106					208,996.57	208,996.57
State Energy Program Special Projects <i>Pass-Through To:</i> <i>University of Texas at Austin</i>	81.119					219,744.89	219,744.89
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122					49,420.28	49,420.28
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis <i>Pass-Through To:</i> <i>Railroad Commission of Texas</i>	81.122					378,060.48	378,060.48
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis <i>Pass-Through To:</i> <i>Public Utility Commission of Texas</i>	81.122					680,167.88	680,167.88
ARRA – Energy Efficient Appliance Rebate Program (EEARP)	81.127					(1,059.00)	(1,059.00)
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128					12,648,889.20	12,648,889.20
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214					518,488.31	518,488.31
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis <i>Pass-Through To:</i> <i>Department of Public Safety</i>	81.214					160,498.41	160,498.41
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis <i>Pass-Through To:</i> <i>Department of State Health Services</i>	81.214					246,069.19	246,069.19
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis <i>Pass-Through To:</i> <i>Texas Commission on Environmental Quality</i>	81.214					225,284.94	225,284.94
Miscellaneous <i>Pass-Through To:</i> <i>Department of Public Safety</i>	81.502					27,069.03	27,069.03
Totals – U.S. Department of Energy				0.00	0.00	106,274,605.60	106,274,605.60
Total Expenditures of Federal Awards				\$ 0.00	\$ 0.00	\$ 106,274,605.60	\$ 106,274,605.60

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Comptroller State Energy Conservation Office (907)

Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
	Agencies or Universities Amount	Non-State Entities Amount		
	\$	\$	\$	\$ 2,960,808.29
802	2,960,808.29			
			51,256.04	51,256.04
				153,446.36
405	153,446.36			
				208,996.57
537	208,996.57			
				219,744.89
721	219,744.89			
			49,420.28	49,420.28
				378,060.48
455	378,060.48			
				680,167.88
473	680,167.88			
			(1,059.00)	(1,059.00)
		11,161,114.26	1,487,774.94	12,648,889.20
		318,489.25	199,999.06	518,488.31
				160,498.41
405	160,498.41			
				246,069.19
537	246,069.19			
				225,284.94
582	225,284.94			
				27,069.03
405	27,069.03			
	<u>15,923,987.98</u>	<u>62,250,311.51</u>	<u>28,100,306.11</u>	<u>106,274,605.60</u>
	<u>\$ 15,923,987.98</u>	<u>\$ 62,250,311.51</u>	<u>\$ 28,100,306.11</u>	<u>\$ 106,274,605.60</u>

SCHEDULE 1B

**Schedule of State Grant Pass-Throughs
From/To State Agencies**

For the Fiscal Year Ended August 31, 2012

Pass-through To	Agency Number	Amount
STATE ENERGY PLAN (SEP)		
Texas A&M University (Main University)	711	\$ 5,000.00
Texas Engineering Experiment Station	712	10,768.40
Texas State Technical College System	719	103,664.74
University of Texas at El Paso	724	40,000.00
University of North Texas	752	<u>107,609.27</u>
Total Pass-Through to Other Agencies (Exh. II):		<u><u>\$ 267,042.41</u></u>

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

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