Selected Financial Indicators

![Graph](image)

General Revenue Funds Available for Future Use Continue to Increase
Amounts in Thousands

- $1,000,000
- $500,000
- $0
- $1,000,000
- $1,500,000


In these cases, state agencies or universities were not diligent in ensuring that contract dollars were well spent. We also noted:

- Unresolved billing errors, late contract closeouts, and inadequate financial tracking. These conditions may have led to incorrect evaluations of a contractor's performance and financial condition.

- Award notifications, board acceptance minutes, and contracts signed after the effective date of the contract. Thus, some services might have been provided without a valid contract.

Contract Administration: A Statewide Problem

Overall, state agencies and universities complied with requirements for $17 billion in federal funds . . . with a notable exception.

We noted widespread problems in the administration of contracts by agencies and universities. State entities must ensure that contracts are written and contractors are monitored so that the State gets the quality and amount of service paid for.

In fiscal year 1998, the State paid as much as $10 billion in federal funds to contractors for services. Twelve of the 36 entities we audited had weaknesses in managing contracts. Three of the entities had very serious problems. Examples of weaknesses included:

- Insufficient monitoring
- Inability to document monitoring efforts
- Failure to assess risks associated with specific contracts or contractors and to adjust the level of monitoring accordingly.

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- Unresolved billing errors, late contract closeouts, and inadequate financial tracking. These conditions may have led to incorrect evaluations of a contractor’s performance and financial condition.

- Award notifications, board acceptance minutes, and contracts signed after the effective date of the contract. Thus, some services might have been provided without a valid contract.
Financial Statements

The State’s 1998 Comprehensive Annual Financial Report (CAFR), compiled by the Texas Comptroller of Public Accounts, is accurate and based on generally accepted accounting principles. The CAFR provides the most complete financial information available on Texas state government. Of particular interest is the budget statement because it shows actual revenues and expenditures compared to the amounts budgeted through the revenue estimate and appropriations process.

Compliance Information

Overall, state agencies and universities are doing a good job complying with federal requirements. For information on a notable exception, see p. 7. The assurance we provide to the federal government helps to ensure the continued flow of federal funds. We also provide assurance to bond rating companies that debt-issuing entities comply with various legal requirements. This is important since the State’s bond rating determines how much interest the State must pay when borrowing money.

This pamphlet summarizes the financial statements and compliance information from the statewide audit. The full CAFR may be obtained by contacting the Comptroller of Public Accounts. The compliance results may be obtained by requesting SAO Report No. 99-555, June 1999, from the State Auditor’s Office. We hope you find this pamphlet useful.

Sincerely,
Lawrence F. Alwin, CPA
State Auditor

Sums of Financial Statements

State of Texas
For The Fiscal Year Ending August 31, 1998

Revenues, Expenditures, and Transfers
(Amounts in Thousands)

<table>
<thead>
<tr>
<th>Item</th>
<th>COLLEGE OR UNIVER SITY</th>
<th>AGENCY</th>
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<tbody>
<tr>
<td>Revenues</td>
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<tr>
<td>Total Revenues</td>
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<td>Federal Revenues</td>
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<td>Interest &amp; Other Investment Income</td>
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<td>Other Revenues</td>
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<td>Expenditures</td>
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<td>Education</td>
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<td>Health &amp; Human Services</td>
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<td>Pension Benefits</td>
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<tr>
<td>Other Expenditures</td>
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<tr>
<td>Total Expenditures</td>
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<tr>
<td>Excess Revenues over Expenditures</td>
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<tr>
<td>Transfers &amp; Other Sources (Net)</td>
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<tr>
<td>Difference</td>
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</table>

State Transferred $3 Billion from the General Revenue Fund to Universities

Almost one-third of universities’ Current Fund Revenues came from General Revenue Appropriations. The remainder came from various grants and contracts, sales and services, and local sources such as tuition and fees.

Pension Trust Funds Increased by $5.6 Billion

A required change in how the value of investments were reported accounted for $5.3 billion of the increase. Investments represented 57 percent of state assets.

Accounts Payable Increased by $5.7 Billion

This 115 percent increase occurred primarily because the retirement systems had purchased, but not paid for, various investments as of August 31, 1998.

Tobacco Settlement Resulted in $15 Billion in Federal Revenue

The $15 billion receivable was offset by the deferred revenue liability. The State will receive $1.1 billion of the settlement in fiscal year 1999. Under the settlement, manufacturers will make annual deposits into the State’s General Revenue Fund.

The Bottom Line: The State’s Financial Position Continued to Improve

Compared to fiscal year 1997, state assets increased by $45 billion, or 28.4 percent. More importantly, funds available for future operations in the State’s General Revenue Fund increased by almost $263 million. The State’s positive financial position allowed it to add $50 million to its “Rainy Day Fund” in fiscal year 1998.