



Texas Department of Insurance

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José Montemayor
Commissioner of Insurance

November 20, 2000

Honorable George W. Bush, *Governor*
Honorable Carole Keeton Rylander, *State Comptroller*
John Keel, *Director, Legislative Budget Board*
Lawrence F. Alwin CPA, *State Auditor*

Dear Public Officials:

We are pleased to submit the *Annual Fincancial Report* of the Texas Department of Insurance for the year ended August 31, 2000, in compliance with provisions of the General Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The report will be considered for audit by the State Auditor as part of the audit of the statewide 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 Joe Meyer at 512-463-6143.

Sincerely,

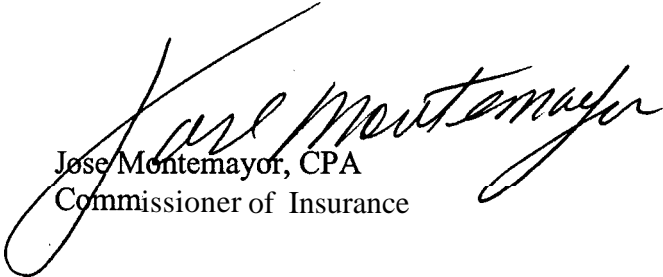

Jose Montemayor, CPA
Commissioner of Insurance

EXHIBIT I COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT

August 31, 2000

	GOVERNMENTAL FUNDS		FIDUCIARY FUNDS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	TRUST AND AGENCY (EXH A-1)
	\$	\$	\$
ASSETS			
Cash and Temporary Investments:			
Cash on Hand	685.00		
Cash in Bank (Note 3)	45,000.00	1,701,288.77	
Cash in State Treasury *	42,036,322.00		5,974,235.30
Short-Term Investments (Note 3)		2,289,512.15	371,508,728.16
Investments (Note 3)			30,768,800.95
Receivables:			
Interest and Dividends Receivable			
Accounts Receivable	1,822,245.37	79,920.79	
Due From Other Agencies (Note 7)	5,554.00		
Consumable Inventories	108,105.69		
Fixed Assets: (Note 2)			
Furniture and Equipment			
Vehicles, Boats and Aircraft			
Other Fixed Assets			
Less: Accumulated Depreciation			
Other Assets - Securities Held in Trust			828,932,584.56
Amounts to be Provided in Future Years (Note 4)			
TOTAL ASSETS	<u>\$ 44,017,912.06</u>	<u>\$ 4,070,721.71</u>	<u>\$ 1,237,184,348.97</u>
LIABILITIES			
Payables			
Accounts Payable	5,169,013.22	1,432,156.33	
Due to Other Agencies (Note 7)	741,823.84		
Employees' Compensable Leave (Note 4)			974,363,815.82
Funds Held For Others			974,363,815.82
TOTAL LIABILITIES	<u>5,910,837.06</u>	<u>1,432,156.33</u>	<u>974,363,815.82</u>
FUND EQUITY			
Investment in General Fixed Assets			
Retained Earnings Unreserved			
Fund Balances			
Reserved for -			
Encumbrances	580,018.34		
Inventory	108,105.69		
Imprest Accounts	45,685.00		
Unreserved / Undesignated	37,373,265.97	2,638,565.38	262,820,533.15
TOTAL FUND EQUITY	<u>38,107,075.00</u>	<u>2,638,565.38</u>	<u>262,820,533.15</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 44,017,912.06</u>	<u>\$ 4,070,721.71</u>	<u>\$ 1,237,184,348.97</u>
		* Cash in Treasury	
General Revenue	\$ 0.00		
Consolidated/Dedicated Account 0036	42,036,322.00		
Total	<u>\$ 42,036,322.00</u>		

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

UNAUDITED

ACCOUNT GROUPS		TOTALS		TOTALS	
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	Primary Government	Component Unit	Memorandum Only	Reporting Entity
		FY 2000	Proprietary	FY 2000	
\$	\$	\$	\$	\$	\$
		685.00		685.00	
		1,746,288.77	187,719.00	1,934,007.77	
		48,010,557.30		48,010,557.30	
		373,798,240.31		373,798,240.31	
		30,768,800.95	1,321,925.00	32,090,725.95	
		0.00	50,266.00	50,266.00	
		1,902,166.16	195,580.00	2,097,746.16	
		5,554.00		5,554.00	
		108,105.69		108,105.69	
8,924,948.59		8,924,948.59	1,315,721.00	10,240,669.59	
732,260.96		732,260.96		732,260.96	
86,369.36		86,369.36		86,369.36	
		0.00	(827,970.00)	(827,970.00)	
		828,932,584.56		828,932,584.56	
	3,779,566.01	3,779,566.01		3,779,566.01	
<u>\$ 9,743,578.91</u>	<u>\$ 3,779,566.01</u>	<u>\$ 1,298,796,127.66</u>	<u>\$ 2,243,241.00</u>	<u>\$ 1,301,039,368.66</u>	
\$	\$	\$	\$	\$	\$
		6,601,169.55	94,809.00	6,695,978.55	
		741,823.84		741,823.84	
	3,779,566.01	3,779,566.01		3,779,566.01	
		974,363,815.82		974,363,815.82	
0.00	3,779,566.01	985,486,375.22	94,809.00	985,581,184.22	
\$	\$	\$	\$	\$	\$
9,743,578.91		9,743,578.91		9,743,578.91	
			2,148,432.00	2,148,432.00	
		580,018.34		580,018.34	
		108,105.69		108,105.69	
		45,685.00		45,685.00	
		302,832,364.50		302,832,364.50	
9,743,578.91	0.00	313,309,752.44	2,148,432.00	315,458,184.44	
<u>\$ 9,743,578.91</u>	<u>\$ 3,779,566.01</u>	<u>\$ 1,298,796,127.66</u>	<u>\$ 2,243,241.00</u>	<u>\$ 1,301,039,368.66</u>	

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES: All Governmental Fund Types and Expendable Trust Funds
 For the fiscal year ended August 31, 2000

	GOVERNMENTAL FUNDS			TOTALS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	EXPENDABLE TRUST FUND (9999) U/F(0050)	Memorandum Only Primary Government 2000
	\$	\$	\$	\$
REVENUES				
Federal Pass-Through Revenue (Sch 1A)	54,404.25			54,404.25
Licenses, Fees and Permits	25,782,851.43			25,782,851.43
Interest and Other Investment Income		76,519.96	14,910,132.93	14,986,652.89
Settlement of Claims	396.00			396.00
Sales of Goods and Services	102,327.80			102,327.80
Other Revenue	1,391,230.86	928,531.15	2,000,000.00	4,319,762.01
TOTAL REVENUES	27,331,210.34	1,005,051.11	16,910,132.93	45,246,394.38
EXPENDITURES				
Salaries and Wages	39,809,115.64	416,827.88		40,225,943.52
Payroll Related Costs	9,372,383.51			9,372,383.51
Professional Fees and Services (Sch 6)	519,509.71	60,817.94	31,647.70	611,975.35
Travel	1,527,105.18	6,200.07		1,533,305.25
Materials and Supplies	1,498,078.22	1,962.72		1,500,040.94
Communication and Utilities	1,058,999.78	23,894.51		1,082,894.29
Repairs and Maintenance	958,697.04	11,780.72		970,477.76
Rentals and Leases	393,749.20	422,853.92		816,603.12
Printing and Reproduction	484,071.19			484,071.19
Claims and Judgments	181,156.26			181,156.26
Public Assistance Payments	2,000,000.00			2,000,000.00
Other Expenditures	1,938,618.98	49,612.62	50,081.30	2,038,312.90
Capital Outlay	1,382,907.13			1,382,907.13
TOTAL EXPENDITURES	61,124,391.84	993,950.38	81,729.00	62,200,071.22
EXCESS OF REVENUES OVER EXPENDITURES	(33,793,181.50)	11,100.73	16,828,403.93	(16,953,676.84)

EXHIBIT II (Continued)
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES: All Governmental Fund Types and Expendable Trust Funds
 For the fiscal year ended August 31, 2000

	GOVERNMENTAL FUNDS			TOTALS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	EXPENDABLE TRUST FUND (9999) U/F(0050)	Memorandum Only Primary Government 2000
	\$	\$	\$	\$
OTHER FINANCING SOURCES (USES)				
Operating Transfers-In:				
(Agency 302, Fund 0036)	744.09			744.09
(Agency 902, Fund 0001)	45,456,266.03			45,456,266.03
Operating Transfers-Out:				
(Agency 241, Fund 0036)	(1,132,753.89)			(1,132,753.89)
(Agency 302, Fund 0036)	(3,338,251.23)			(3,338,251.23)
(Agency 303, Fund 0036)	(4,016,294.00)			(4,016,294.00)
(Agency 411, Fund 0036)	(2,733,506.36)			(2,733,506.36)
(Agency 576, Fund 0036)	(1,614,567.12)			(1,614,567.12)
(Agency 902, Fund 0001)	(939,537.00)			(939,537.00)
Sale of General Fixed Assets	9,178.76			9,178.76
TOTAL OTHER FINANCING SOURCES (USES)	31,691,279.28	0.00	0.00	31,691,279.28
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,101,902.22)	11,100.73	16,828,403.93	14,737,602.44
FUND BALANCES - September 1, 1999	40,247,744.52	2,627,464.65		42,875,209.17
Restatements			245,992,129.22	245,992,129.22
Fund Balances As Restated	40,247,744.52	2,627,464.65	245,992,129.22	288,867,338.39
Net Change in Reserve for Inventories	(38,767.30)			(38,767.30)
FUND BALANCES - August 31, 2000 (EXH I)	\$ 38,107,075.00	\$ 2,638,565.38	\$ 262,820,533.15	\$ 303,566,173.53

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

EXHIBIT IV
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT

For the fiscal year ended August 31, 2000

	PROPRIETARY FUND	TOTAL
	Surplus Lines Stamping Office of Texas	FY 2000
OPERATING REVENUES:		
Sales of Goods and Services	\$ 1,568,634.00	\$ 1,568,634.00
Other Operating Revenues	64,086.00	64,086.00
Total Operating Revenues	<u>1,632,720.00</u>	<u>1,632,720.00</u>
OPERATING EXPENSES:		
Salaries and Wages	889,836.00	889,836.00
Payroll Related Costs	258,020.00	258,020.00
Professional Fees and Services (Sch 6)	154,140.00	154,140.00
Travel	7,999.00	7,999.00
Materials and Supplies	134,211.00	134,211.00
Communication and Utilities	9,790.00	9,790.00
Repairs and Maintenance	15,138.00	15,138.00
Rentals and Leases	270,289.00	270,289.00
Depreciation and Amortization	73,302.00	73,302.00
Other Operating Expenses	114,094.00	114,094.00
Total Operating Expenses	<u>1,926,819.00</u>	<u>1,926,819.00</u>
OPERATING INCOME (LOSS)	(294,099.00)	(294,099.00)
NONOPERATING REVENUES (EXPENSES)		
Loss on Disposition of Fixed Assets	(865.00)	(865.00)
NET INCOME (LOSS)	(294,964.00)	(294,964.00)
FUND EQUITY - BEGINNING OF YEAR	<u>2,443,396.00</u>	<u>2,443,396.00</u>
FUND EQUITY - END OF YEAR (EXH I)	<u>\$ 2,148,432.00</u>	<u>\$ 2,148,432.00</u>
	(Note A)	

Note A-This Component Unit has a fiscal year end of December 31, 1999. Financial information presented is representative of that fiscal year date.

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

EXHIBIT V COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

For the fiscal year ended August 31, 2000

	PROPRIETARY FUND Surplus Lines Stamping Office of Texas	TOTAL FY 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds received from customers	\$ 1,560,893.00	\$ 1,560,893.00
Proceeds from other revenues	110,287.00	110,287.00
Payments to suppliers for goods and services	(1,864,711.00)	(1,864,711.00)
NET CASH USED IN OPERATING ACTIVITIES	(193,531.00)	(193,531.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for additions to fixed assets	(258,521.00)	(258,521.00)
NET CASH PROVIDED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:	(258,521.00)	(258,521.00)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,250,000.00	1,250,000.00
Payments to acquire investments	(675,000.00)	(675,000.00)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	575,000.00	575,000.00
Increase (decrease) in cash	122,948.00	122,948.00
Cash and cash equivalents - Beginning	64,771.00	64,771.00
Cash and cash equivalents - Ending	<u>\$ 187,719.00</u>	<u>\$ 187,719.00</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (294,099.00)	\$ (294,099.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	73,302.00	73,302.00
Unrealized (gain) loss	38,677.00	38,677.00
Change in assets and liabilities		
(Increase) Decrease in receivables	(217.00)	(217.00)
Increase (Decrease) in payables	(18,020.00)	(18,020.00)
Increase (Decrease) in other liabilities	6,826.00	6,826.00
Total Adjustments	100,568.00	100,568.00
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (193,531.00)</u>	<u>\$ (193,531.00)</u>

(Note A)

Note A-The Component Unit has a fiscal year end of December 31, 1999. Financial information presented is representative of that fiscal year date.

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

A: ENTITY

The Texas Department of Insurance 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 Texas Department of Insurance is provided for in Articles 1.02 - 1.09, Texas Insurance Code (Vernon 1981 and Supp. 1986). Article 1.09 states: "The Texas Department of Insurance is created to regulate the business of insurance in this state." Our entity is a part of the statewide report and our component will be subject to audit by the State Auditor. The history of the Agency dates back to the Texas Constitution of 1876. Since then, the composition of the Agency has changed several times. The latest change took place in 1993 when House Bill No. 1461, 73rd Legislature, Regular Session, amended the Insurance Code to establish the Commissioner of Insurance as the primary policy-setting authority and to abolish the three-member State Board of Insurance no later than September 1, 1994. The Board transferred all remaining power to the Commissioner effective December 16, 1993.

The Texas Department of Insurance includes with this report all components as determined by an analysis of their relationship to the Texas Department of Insurance as listed below.

The accompanying financial statements of the Texas Department of Insurance have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

Discrete Component Units

This component unit is legally separate from the state, but is financially accountable to the state, or has a relationship with the state such that exclusion would cause the financial statements to be misleading. The component unit columns of the financial statements include the financial data of this entity.

- The Surplus Lines Stamping Office of Texas was created in August, 1987, by the 70th Legislature of the State of Texas to assist the Texas Department of Insurance in the regulation of surplus lines insurance and encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of the Texas Department of Insurance. The Texas Department of Insurance approves operating procedures for the administration of the Stamping Office.

B: 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.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise funds are used to account for operations financed and operated in a manner similar to private business. The intent is to recover costs through user charges or that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability and other purposes.

FIDUCIARY FUND TYPES

Expendable Trust Funds

Expendable trust funds are used to account for trust funds whose principal and interest may be expended in the course of their designated operations.

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.

ACCOUNT GROUPS

General Fixed Assets Account Group

Fixed assets used by the Agency are accounted for in the General Fixed Assets Account Group, with the exception of those acquired by and accounted for in proprietary, nonexpendable trust and pension trust funds.

General Long-Term Debt Account Group

This account group is used to account for long-term debt to be financed in future periods from governmental funds.

COMPONENT UNITS

TDI has determined a component unit exists as defined by GASB Statement No. 14. The component unit TDI has identified is proprietary in nature and is discretely presented.

C: MEMORANDUM TOTALS

The total columns on the financial statements are captioned "Memorandum Only" to indicate that they are for informational purposes only. Data in these columns does not present the financial position, results of operations, or changes in financial position in conformity with GAAP, nor is such data comparable to a consolidation.

D: 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 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 on long-term capital leases, which are not recognized until actual payment is made. The principal of this long-term liability is reported in the General Long-Term Debt Account Group.

Proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of the related cash flow.

E: 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.

F: ASSETS, LIABILITIES AND FUND EQUITY

ASSETS

Cash and Cash Equivalents

For the component unit, cash equivalents consist of money market funds and investments with maturity dates of less than 90 days when purchased and are carried at cost, which approximates fair market value.

Investments

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

Inventories

Consumable inventories include supplies and postage on hand at year-end.

Inventories for governmental funds are accounted for using the purchase method of accounting. The cost of these items is recognized as an expenditure at the time of purchase. These assets are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources."

Fixed Assets

Purchases of fixed assets by governmental or similar trust funds are reported as expenditures. They are capitalized at cost or, if not purchased, at appraised value on the date of acquisition. There is no provision for depreciation or obsolescence of these fixed assets since replacements are financed from current resources.

Proprietary, nonexpendable trust and pension trust fund purchases of fixed assets are reported in those funds at cost or, if donated, at fair market value on the acquisition date. Depreciation is charged to operations of the funds over the estimated useful lives of the assets.

Other Assets

Other Assets include securities owned by insurance companies that are held in trust by the Texas Department of Insurance as required by state statute.

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 represents the liability that the Agency will be required to liquidate in the future for employee vacation time.

RESERVATIONS/DESIGNATIONS OF FUND EQUITY

Reservations of fund balance represent fund balance of governmental and fiduciary fund types that are legally restricted to a specific use.

Reserved for Encumbrances

The reservation for encumbrances represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories

This represents the amount of supplies and postage held to be used in the next fiscal year.

Reserved for Imprest Accounts

This represents a travel advance fund and a petty cash change fund at the Agency. The travel advance fund is for the purpose of advancing travel moneys to those employees who are required to travel on official state business. Moneys advanced from this fund are reimbursed as needed but at least quarterly. Petty Cash fund is used for reimbursement of employee expenses.

INTERFUND TRANSACTIONS AND BALANCES

Quasi-External Transactions

Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Operating Transfers

Legally required transfers that are reported when incurred as "Operating transfers in" by the recipient fund and as "Operating transfers out" by the disbursing fund.

The composition of the agency's interfund receivables and payables at August 31, 2000 is presented in Note 7.

NOTE 2: FIXED ASSETS

A summary of changes in General Fixed Assets for the year ended August 31, 2000:

Asset Type	Balance 9/1/99	Adjustments	Additions	Deletions	Balance 8/31/00
Furniture & Equipment	\$ 9,826,683.67	\$ 0.00	\$ 940,057.84	\$ (1,841,792.92)	\$ 8,924,948.59
Vehicles	646,108.96	0.00	130,311.00	(44,159.00)	732,260.96
Other Fixed Assets	85,869.36	0.00	3,150.00	(2,650.00)	86,369.36
Totals	<u>\$ 10,558,661.99</u>	<u>\$ 0.00</u>	<u>\$ 1,073,518.84</u>	<u>\$ (1,888,601.92)</u>	<u>\$ 9,743,578.91</u>

(Exh I)

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

The Texas Department of Insurance reports investments held in the Texas Treasury Safekeeping Trust Company. The Texas Treasury Safekeeping Trust Company 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

- a. The carrying amount of \$1,934,007.77 for Cash in Bank (including discretely presented component units) is presented below.
- b. The bank balance of the Texas Department of Insurance has been classified according to the following risk categories:

Category 1 - Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name

Category 3 - Uncollateralized

Category 1	Category 2	Category 3	Carrying Amount
<u>\$ 1,746,288.77</u>	<u>\$.00</u>	<u>\$.00</u>	<u>\$ 1,746,288.77</u>

Consisting of the following:

Demand Deposits	\$ 1,646,288.77
Texas Treasury Safekeeping Trust	100,000.00
Total Cash in Bank (Exhibit 1)	<u>\$ 1,746,288.77</u>

Deposits for Discretely Presented Component Units are:

Category 1	Category 2	Category 3	Carrying Amount (Exhibit I)
<u>\$ 187,719.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 187,719.00</u>

INVESTMENTS

The fair values of investments as of the balance sheet date including both short-term and long-term are shown below. Investments are categorized to give an indication of the level of risk assumed by the agency at year-end. The three categories are:

Category 1 – Investments that are insured or registered or for which the securities are held by the agency or its agent in the agency's name.

Category 2 – Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the agency's name.

Category 3 – Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the agency's name.

Type of Security	Category 1	Category 2	Category 3	Fair Value
Misc. Investments	41,746,690.95			41,746,690.95
Repurch. Agreements	362,820,350.31			362,820,350.31
Total Investments	<u>\$ 404,567,041.26</u>	<u>\$</u>	<u>\$</u>	<u>\$ 404,567,041.26</u>
Consisting of the Following:				
Short-Term Invest.(Exh I)	373,798,240.31	\$		\$ 373,798,240.31
Long-Term Invest. (Exh I)	30,768,800.95			30,768,800.95
Total, as above	<u>\$ 404,567,041.26</u>	<u>\$</u>	<u>\$</u>	<u>\$ 404,567,041.26</u>

Investments for Discretely Presented Component Units are:

Type of Security	Category 1	Category 2	Category 3	Fair Value
US Gov't Investments	\$ 1,321,925	\$	\$	\$ 1,321,925
Total Investments	<u>\$ 1,321,925</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,321,925</u>
Consisting of the Following:				
Long-Term Invest. (Exh1)	\$ 1,321,925	\$	\$	\$ 1,321,925
Total, as above	<u>\$ 1,321,925</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,321,925</u>

NOTE 4: GENERAL LONG-TERM DEBT

Changes in General Long-Term Debt

During the year ended August 31, 2000, the following changes occurred in liabilities reported in the general long-term debt account.

	Balance 9/1/99	Additions	Deductions	Balance 8/31/00
Compensable Leave	<u>\$ 3,641,182.09</u>	<u>\$ 3,730,450.83</u>	<u>\$ 3,592,066.91</u>	<u>\$ 3,779,566.01</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 General Long-Term Debt Account Group with a corresponding account designated "Amounts To Be Provided in Future Years". An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 5: CAPITAL LEASES

N/A

NOTE 6: OPERATING LEASE OBLIGATIONS

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

General Revenue	\$ 244,538.53
Special Revenue Funds	340,500.48
Total – Memorandum Only	<u>\$ 585,039.01</u>

Discrete Component Unit:

Proprietary Funds	\$ 251,627.00
Total – Memorandum Only	<u>\$ 251,627.00</u>

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

Year Ended August 31,	
2001	\$ 230,588.84
2002	144,517.08
2003	103,769.88
2004	54,924.40
2005 and beyond	<u>16,438.40</u>
Total Minimum Future Lease Rental Payments	<u>\$ 550,238.60</u>

Discrete Component Units:

Year Ended December 31,	
2000	\$ 229,179
2001	229,179
2002	<u>229,179</u>
Total Minimum Future Lease Rental Payments	<u>\$ 687,537</u>

NOTE 7: INTERFUND BALANCES/ACTIVITIES

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

- Interfund Receivable or Interfund Payable
- Advances From Other Funds or Advances To Other Funds
- Due From Other Agencies or Due To Other Agencies,
- Due From Other Funds or Due To Other Funds
- Operating Transfers In or Operating Transfers Out

Individual balances and activity at August 31, 2000, were as follows:

	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>	<u>Source</u>
GENERAL REVENUE	\$	\$	\$
(Appropriated Fund 0036)			
(Agency 302, Fund 0036) (Act)		267,697.50	Transfer
(Agency 320, Fund 0165) (Act)		1,201.00	Transfer
(Agency 411, Fund 0036) (Act)		162,480.25	Transfer
(Agency 479, Fund 0001) (Act)		8,471.90	Transfer
(Agency 576, Fund 0036) (Act)		276,557.45	Transfer
(Agency 902, Fund 0001) (Act)		25,415.74	Transfer
Federal Pass-Through			
(Agency 340, Fund 0134)	<u>5,554.00</u>		Federal P-T
Total Due To/From (Exh I)	<u>\$ 5,554.00</u>	<u>\$741,823.84</u>	

	Operating Transfers In	Operating Transfers Out
GENERAL REVENUE	\$	\$
(Appropriated Fund 0036)		
(Agency 241, Fund 0036) (Act)		1,132,753.89
(Agency 302, Fund 0036) (Act)	744.09	3,338,251.23
(Agency 303, Fund 0036) (Act)		4,016,294.00
(Agency 411, Fund 0036) (Act)		2,733,506.36
(Agency 576, Fund 0036) (Act)		1,614,567.12
(Agency 902, Fund 0001)	45,456,266.03	939,537.00
Total Operating Transfers (Exh II)	\$ 45,457,010.12	\$ 13,774,909.60

NOTE 8: EMPLOYEES RETIREMENT PLANS

The State has joint contributory retirement plans for substantially all its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each state agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

Discrete Component Unit:

The Stamping Office sponsors a defined contribution pension plan covering substantially all of its employees on July 1, 1994. The Stamping Office contributes 2.5% (3.5% after five years of service) of each covered employee's salary. Employees may contribute up to an additional 15.2% of their covered salary. The Stamping Office will match the employee's additional contributions up to a maximum of 2.5%. Pension costs of the Stamping Office totaled \$52,263 in 1999.

NOTE 9: 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. GASB Statement No. 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement No. 2 and amends GASB Statement No. 32, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457*, established reporting requirements for IRC section 457 plans.

The state also administers another plan; "Texsaver" created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

NOTE 10: CONTINGENT LIABILITIES

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in case of illness or to the employee's estate in the event of his/her death while employed by the Agency. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The Agency's policy is to recognize the cost of any sick leave when paid. No liability is recorded in the General Long-Term Debt Account Group since experience indicates the probability of a material effect on any given year's operations, as a result of death or abnormally high rate of illness, is minimal.

The Agency is involved in several lawsuits, including the following:

- **Personnel** There are two lawsuits against TDI by current or former TDI employees challenging TDI personnel decisions. Multiple plaintiffs filed one lawsuit. All but two of the plaintiffs have dismissed their claims against TDI. TDI does not anticipate that the remaining plaintiffs will pursue the lawsuit. This lawsuit does not specify an amount sought. The other lawsuit seeks \$267,824.27. In this lawsuit, an adverse ruling is possible, but in management's opinion that possibility is remote.
- **Liquidation** There is one lawsuit containing allegations against TDI in connection with an insolvent insurance company. TDI prevailed in the trial court, although an appeal is expected. The exact amount being sought is unclear, although the plaintiffs appear to be seeking around \$3,350,000.

- **Regulatory** There is a number of pending actions to which TDI is a party in connection with TDI's regulatory duties. These generally do not seek monetary relief, other than attorneys' fees, but rather seek to reverse a regulatory action of the Commissioner.

NOTE 11: CONTINUANCE SUBJECT TO REVIEW

On August 29, 1977, the Department became subject to the provisions of S.B. 54, 65th Leg. Reg. Sess. (1977) titled the "Texas Sunset Act". During fiscal year 1993 the Sunset Advisory Commission completed a review of the Agency and issued a final report recommending the Agency be continued for a twelve-year period. The 73rd Legislature subsequently approved the recommendation. The Agency will be abolished on September 1, 2005, unless continued in existence as provided by the Act. If abolished, the Agency may continue until September 1, 2006, to close out its operations.

NOTE 12: RISK FINANCING AND RELATED INSURANCE

The Texas Department of Insurance is exposed to a variety of civil claims resulting from the performance of its duties. It is the agency's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The Agency assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the agency involved in any risk pools with other government entities.

The Agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors.

Changes in the balances of the agency's claims liabilities during the fiscal 1998 and 1999 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
1999	\$ 0.00	\$ 122,445.11,	\$ 122,445.11	\$ 0.00
2000	0.00	179,347.46	179,347.46	0.00

NOTE 13: SEGMENT INFORMATION

The Surplus Lines Stamping Office of Texas was created to assist the Texas Department of Insurance in the regulation of surplus lines insurance, and to encourage compliance with the surplus lines law and the rules of TDI. The Stamping Office assesses each surplus lines insurance agent a stamping fee, as approved by TDI. By law, the stamping fee cannot exceed 0.75% of gross eligible premiums resulting from surplus lines contracts.

Information relating to this activity is presented below.

	Surplus Lines Stamping Office of Texas
Operating Revenues	\$ 1,632,720.00
Depreciation/Amortization	73,302.00
Operating Income/Loss (operating revenues less operating expenses)	-294,099.00
Operating Transfers In	N/A
Operating Transfers Out	N/A
Net Income/Loss (total revenues less total expenses)	-294,964.00
Net Working Capital*	338,756.00
Total Assets	2,243,241.00
Fund Equity	2,148,432.00
Bonds and other material long-term liabilities	N/A
Property, Plant and Equipment	
Net Addition	219,610.00

*Working Capital Calculation:	
Cash and Temporary Investments	\$ 187,719.00
Receivables	245,846.00
Payables	-94,809.00
Net Working Capital	<u>\$ 338,756.00</u>

NOTE 14: BONDED INDEBTEDNESS
N/A

NOTE 15: SUBSEQUENT EVENTS
N/A

NOTE 16: RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are two appropriated and eight and one-half allocated employees; however, there are budgeted positions for two and one-fourth appropriated and twelve and one-fourth allocated employees. Liquidation Oversight operations include legal, docketing, financial/auditing and records management.

NOTE 17: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
N/A

NOTE 18: THE FINANCIAL REPORTING ENTITIES & JOINT VENTURES

A. The Financial Reporting Entity

Sunset legislation in 1993 abolished the three-member State Board of Insurance. All management, regulatory and policy-making responsibility of the Texas Department of Insurance (TDI) is now vested in the Commissioner of Insurance, who is appointed by the Governor for a two-year term, subject to confirmation by the Senate. As required by generally accepted accounting principles, these financial statements present TDI (the primary government) and its component unit. The component unit discussed in Note B is included in the agency's reporting entity because of the significance of its operational or financial relationships with the state.

B. Individual Component Unit Disclosures

Discretely Presented Component Units:

The component unit columns in the combined financial statements include the financial data of the Texas Department of Insurance component unit. It is reported in a separate column to emphasize that it is legally separate from the Texas Department of Insurance. The Commissioner appoints the board members of the component unit.

1. The *Surplus Lines Stamping Office of Texas* was created pursuant to Article 1.14-2, Section 6A of the Texas Insurance Code to assist this Agency in the regulation of surplus lines insurance, encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of the Texas Department of Insurance. The stamping office performs its functions under a plan of operation approved by order of the Texas Department of Insurance.

Complete financial statements of the component unit can be obtained from its administrative office.

Administrative Offices

Surplus Lines Stamping Office of Texas
P.O. Box 9906
Austin, Texas 78766-0906

C. Related and Other Organizations

1. The **Life, Accident, Health and Hospital Service Insurance Guaranty Association** was created for the protection of persons against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts because of the impairment of insolvency of the member insurer that issued the policies or contracts. The Commissioner shall appoint a board of directors of the association consisting of nine members.
2. The **Texas Title Insurance Guaranty Association** was created to provide funds for the protection of holders of "covered claims". This shall apply to all title insurance written by title insurance companies authorized to do business in this state. The Commissioner shall appoint the nine-member board of directors.
3. The **Texas Health Insurance Risk Pool** was created to provide access to quality health care at minimum cost to the public, to relieve the insurable population of the disruptive cost of sharing coverage, and to maximize reliance on strategies of managed care proven by the private sector. The pool is governed by a board of directors composed of nine members appointed by the Commissioner of the Texas Department of Insurance (TDI).
4. The **Texas Health Reinsurance System** reinsures risks covered under the health benefit plans of small employers' insurance carriers. The Commissioner of Insurance appoints the nine member board.

Administrative Offices:

Life, Accident, Health and Hospital
Service Insurance Guaranty Association
301 Congress, Suite 500
Austin, TX 78701

Texas Title Insurance Guaranty
Association
301 Congress, Suite 800
Austin, TX 78768-2212

Texas Health Insurance Risk Pool
301 Congress Ave.
Austin, TX 78701

Texas Health Reinsurance System
100 Great Meadow Road, Suite 112
Wethersfield, CT 06109

NOTE 19: RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

During FY 2000, three adjustments were made which required the restatement of the amounts in fund balance and fund equity as shown and discussed below:

- (a) Correction of error in the financial statements of a prior period. Restatement amount was previously reported in an agency fund.

	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Expendable Trust Fund</u>	<u>Totals</u>
Fund Balance/Equity September 1, 1999	\$40,247,744.52	\$2,627,464.65	\$	\$42,875,209.17
Restatements:				
a.			245,992,129.22	245,992,129.22
Fund Balance/Equity September 1, 1999 As Restated	<u>\$40,247,744.52</u>	<u>\$2,627,464.65</u>	<u>\$245,992,129.22</u>	<u>\$288,867,338.39</u>

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**EXHIBIT A-1
COMBINING BALANCE SHEET - Fiduciary Fund Types**

	EXPENDABLE TRUST (9999) U/F(0050)	AGENCY FUNDS (EXH B-1)	TOTALS (EXH I) FY 2000
ASSETS	\$	\$	\$
Cash and Temporary Investments:			
Cash in State Treasury		5,974,235.30	5,974,235.30
Short-Term Investments (Note 3)	262,820,533.15	108,688,195.01	371,508,728.16
Investments (Note 3)		30,768,800.95	30,768,800.95
Other Assets - Securities Held in Trust		828,932,584.56	828,932,584.56
TOTAL ASSETS	<u>\$ 262,820,533.15</u>	<u>\$ 974,363,815.82</u>	<u>\$ 1,237,184,348.97</u>
LIABILITIES	\$	\$	\$
Funds Held For Others		974,363,815.82	974,363,815.82
TOTAL LIABILITIES	<u>0.00</u>	<u>974,363,815.82</u>	<u>974,363,815.82</u>
FUND EQUITY	\$	\$	\$
Fund Balances			
Reserved for -			
Unreserved / Undesignated	262,820,533.15		262,820,533.15
TOTAL FUND EQUITY	<u>262,820,533.15</u>	<u>0.00</u>	<u>262,820,533.15</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 262,820,533.15</u>	<u>\$ 974,363,815.82</u>	<u>\$ 1,237,184,348.97</u>

**EXHIBIT B-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

For the fiscal year ended August 31, 2000

	Balances September 1, 1999	Additions	Deductions	Balances August 31, 2000
	\$	\$	\$	\$
Workers' Compensation Maintenance Tax Surcharge Fund (0897) U/F (0897)				
Assets:				
Cash in State Treasury	4,817,963.92	3,145.22	4,821,109.14	0.00
Liabilities:				
Funds Held for Others	4,817,963.92	3,145.22	4,821,109.14	0.00
Departmental Suspense (0900) U/F (0900)				
Assets:				
Cash in State Treasury	25,359.09	4,720,318.22	4,609,937.78	135,739.53
Liabilities:				
Funds Held for Others	25,359.09	4,720,318.22	4,609,937.78	135,739.53
USPS Overpayments to Employees Fund (0900) U/F (9015)				
Assets:				
Cash in State Treasury	350.67	4,456.80	4,353.69	453.78
Liabilities:				
Funds Held for Others	350.67	4,456.80	4,353.69	453.78
Savings Bond Account (0901) U/F (0901)				
Assets:				
Cash in State Treasury	0.00	65,050.00	60,350.00	4,700.00
Liabilities:				
Funds Held for Others	0.00	65,050.00	60,350.00	4,700.00
Life, Health, Accident and Casualty Insurance Companies Trust Account (0921) U/F (0921)				
Assets:				
Cash in State Treasury	192,638.00	100,000.00	3,150.00	289,488.00
Other Assets - Securities Held in Trust	708,299,440.28	61,664,446.98	0.00	769,963,887.26
Total Assets	708,492,078.28	61,764,446.98	3,150.00	770,253,375.26
Liabilities:				
Funds Held for Others	708,492,078.28	61,764,446.98	3,150.00	770,253,375.26

EXHIBIT B-1 (Continued)
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS

For the fiscal year ended August 31, 2000

	Balances September 1, 1999	Additions	Deductions	Balances August 31, 2000
	\$	\$	\$	\$
Insurance Companies Unclaimed				
Dividend Trust Account				
(0923) U/F (0923)				
Assets:				
Cash in State Treasury	5,082,963.58	5,983,591.68	5,522,701.27	5,543,853.99
Liabilities:				
Funds Held for Others	5,082,963.58	5,983,591.68	5,522,701.27	5,543,853.99
Correction Account for Direct				
Deposit Fund (0980) U/F (0980)				
Assets:				
Cash in State Treasury	159.00	3,420.04	3,579.04	0.00
Liabilities:				
Funds Held for Others	159.00	3,420.04	3,579.04	0.00
Custodial Accounts Fund				
(9999) U/F (2999)				
Assets:				
Cash in Bank	28,000.00	0.00	28,000.00	0.00
Short-Term Investments	438,797,770.94	0.00	330,109,575.93	108,688,195.01
Investments	29,349,000.00	1,419,800.95	0.00	30,768,800.95
Other Assets - Securities Held in Trust	0.00	58,968,697.30	0.00	58,968,697.30
Total Assets	468,174,770.94	60,388,498.25	330,137,575.93	198,425,693.26
Liabilities:				
Funds Held for Others	468,174,770.94	60,388,498.25	330,137,575.93	198,425,693.26
Totals - All Agency Funds				
Assets:				
Cash in Bank	28,000.00	0.00	28,000.00	0.00
Cash in State Treasury	10,119,434.26	10,879,981.96	15,025,180.92	5,974,235.30
Short-Term Investments	438,797,770.94	0.00	330,109,575.93	108,688,195.01
Investments	29,349,000.00	1,419,800.95	0.00	30,768,800.95
Other Assets - Securities Held in Trust	708,299,440.28	120,633,144.28	0.00	828,932,584.56
Total Assets	1,186,593,645.48	132,932,927.19	345,162,756.85	974,363,815.82
Liabilities:				
Funds Held for Others	1,186,593,645.48	132,932,927.19	345,162,756.85	974,363,815.82
	\$ 1,186,593,645.48	\$ 132,932,927.19	\$ 345,162,756.85	\$ 974,363,815.82

**SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the fiscal year ended August 31, 2000

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Pass-Through From					Direct Program Amount
		Identifying Number	Agy./ Univ. #	Agencies or Univ. Amount	Non-State Entities Amount		
Health Care Financing Administration							
Pass-Through From:							
Texas Department on Aging							
Health Care Financing Research, Demonstrations, and Evaluations	93.779		340	\$ 54,404.25	\$ _____	\$ _____	
Total Health Care Financing Administration				_____	_____	_____	
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 54,404.25</u>	<u>\$ _____</u>	<u>\$ _____</u>	

UNAUDITED

Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
	Agy./ Univ. #	State Agy. or Univ. Amount	Non-State Entities Amount		
\$ 54,404.25	\$	\$	\$	\$ 54,404.25	\$ 54,404.25
\$ 54,404.25	\$	\$	\$	\$ 54,404.25	\$ 54,404.25

Note 1 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the schedule of Federal Financial Assistance to the total of federal revenues and federal pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Revenues
Expenditures, and Changes in Fund
Balance - Governmental Fund Types (Exh. II):

Federal Pass-Through Revenues	\$ 54,404.25
Total Pass-Through and Expenditures per Federal Schedule	\$ 54,404.25

SCHEDULE 2
SUMMARY OF REVENUES

For the fiscal year ended August 31, 2000

REVENUES COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE

REVENUES FUND 0036

	<u>AMOUNT</u>
FEDERAL PASS-THROUGH FUNDS	
Fund 0036 - Department of Aging Contract - Federal Pass-Through	\$ 54,404.25
TOTAL FEDERAL PASS THROUGH	<u>54,404.25</u>
LICENSES, FEES, AND PERMITS	
Fund 0036 - Catastrophic Pool Inspection Fees	11,017.00
Fund 0036 - License Fee - Title Insurance Companies	176,673.60
Fund 0036 - Domestic Filing Fees - Life	234,147.66
Fund 0036 - Foreign Filing Fees - Life	74,528.20
Fund 0036 - Domestic Filing Fees - Property and Casualty	234,417.43
Fund 0036 - Foreign Filing Fees - Property and Casualty	103,042.90
Fund 0036 - Retaliatory Fees - Foreign Property and Casualty	0.00
Fund 0036 - License and Exam Fees - Insurance Adjusters and Agents	11,554,429.52
Fund 0036 - Agents Certification and Clearance Letters	879,422.70
Fund 0036 - Filing Fees - Third Party Administrators	116,546.00
Fund 0036 - Examination Fees - Third Party Administrators	1,000.00
Fund 0036 - Filing Fees - Risk Retention & Purchasing Groups	10,900.00
Fund 0036 - Examination Fees - Salaries and Travel Expense	0.00
Fund 0036 - Examination Q of C Sal/Travl	2,361,332.13
Fund 0036 - Examination Fees - Overhead Assessment	7,052,162.15
Fund 0036 - Filing Fees - Policy Approval	638,630.14
Fund 0036 - Filing Fees - Health Maintenance Organizations	178,339.30
Fund 0036 - Filing Fees - Insurance Premium Finance	68,012.00
Fund 0036 - Examination and Assessment Fees - Insurance Premium Finance	148,396.39
Fund 0036 - Amusement Ride Safety Inspections	39,981.00
Fund 0036 - State Fire Marshal Fees	1,816,600.00
Fund 0036 - Life Dom-Filing of Annual Statement	0.00
Fund 0036 - Miscellaneous Certification Fees	6,881.98
Fund 0036 - Copy Fees	76,391.33
TOTAL LICENSES, FEES, AND PERMITS	<u>25,782,851.43</u>
SETTLEMENT OF CLAIMS	
Fund 0036 - Insurance and Damages	396.00
TOTAL SETTLEMENT OF CLAIMS	<u>396.00</u>
SALES OF GOODS AND SERVICES	
Fund 0036 - Sale of Lists, Bulletins, Rating Data, etc.	88,589.30
Fund 0036 - Sale of Computer Lists, Labels or Tapes	13,738.50
TOTAL SALES OF GOODS AND SERVICES	<u>102,327.80</u>

TEXAS DEPARTMENT OF INSURANCE (454)
SCHEDULE 2 (Continued)

OTHER REVENUES	<u>AMOUNT</u>
Fund 0036 - Warrants Voided By Statute of Limitations	\$ 5,455.10
Fund 0036 - Reimbursements - Third Party	1,185,863.61
Fund 0036 - Reimbursement of Conservation Expenses	<u>199,912.15</u>
TOTAL OTHER REVENUES	<u>1,391,230.86</u>
TOTAL FUND 0036 REVENUES	<u>27,331,210.34</u>

AGENCY FUNDS COLLECTIONS

Fund 0001 - State Sales Tax/Discounts	5,455.28
Fund 0001 - Viatical Settlement Registration Fees	13,284.94
Fund 0001 - Filing Fees - Utilization Review & Advisory Organization	127,512.00
Fund 0001 - Filing Fees - Continuing Care Facilities	25,426.00
Fund 0001 - Returned Check Fees	3,206.00
Fund 0001 - Retaliatory Fees	540.00
Fund 0001 - Interest on Local Deposits	136.36
Fund 0897 - Interest on Worker's Compensation Insurance Fund	3,145.22
Fund 0923 - Interest Earned Unclaimed Dividend Trust Account Fund	299,068.65
Fund 0001 - Judgments (Secured by Court Action)	637.12
Fund 0001 - Penalty In Lieu of Suspension/Cancellation	1,100,408.38
Fund 0001 - Unauthorized Insurance Penalty	24,000.00
Fund 0001 - Other Miscellaneous Governmental Revenue	197.40
Fund 0001 - SFMO-Fireworks, Education Safety	56,370.00
Fund 0001 - Specialty Insurance Agents License	<u>110,564.00</u>
TOTAL AGENCY FUNDS COLLECTIONS	<u>1,769,951.35</u>
TOTAL FUND 0036 REVENUES/AGENCY FUND COLLECTIONS - TDI	<u>29,101,161.69</u>

**REVENUES COLLECTED BY THE COMPTROLLER OF PUBLIC ACCOUNTS
AND TRANSFERRED TO THE TEXAS DEPARTMENT OF INSURANCE**

Fund 0036 - Motor Vehicle Maintenance Tax	5,190,924.41
Fund 0036 - Fire and Allied Lines Maintenance Tax	16,866,783.78
Fund 0036 - Workers' Compensation Maintenance Tax	1,607,632.28
Fund 0036 - Casualty Maintenance Tax	5,356,813.33
Fund 0036 - Title Maintenance Fee	1,416,888.75
Fund 0036 - Life/Accident and Health Maintenance Tax	7,231,878.05
Fund 0036 - Third Party Administrator Maintenance Tax	413,369.86
Fund 0036 - Health Maintenance Organization Maintenance Tax	4,117,133.38
Fund 0036 - Prepaid Legal Services Maintenance Tax	1,959.74
Fund 0036 - Domestic Valuation Fees - Life	2,934,797.04
Fund 0036 - Annual Statement Filing Fees	<u>318,085.41</u>
TOTAL REVENUES TRANSFERRED TO THE TEXAS DEPARTMENT OF INSURANCE	<u>45,456,266.03</u>
TOTAL REVENUES	<u>\$ 74,557,427.72</u>

Note 1: Amounts shown above for Fund 0001 are collected by the Texas Department of Insurance in an agency capacity. These revenues have been transferred to Agency 902.

Note 2: Fund 0036 amounts collected by the Texas Department of Insurance are presented as Revenues on Exhibit II under General Revenue. Fund 0036 amounts transferred from the Comptroller of Public Accounts (Agency 902) are presented as Operating Transfers In on Exhibit II under General Revenue.

**SCHEDULE 2A
COMPARATIVE STATEMENT OF REVENUES**

1991 - 2000

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES & FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
	\$	\$	\$	\$
1991	619,478,388	19,595,630	1,705,638	640,779,656
1992	516,882,995	26,028,158	2,247,722	545,158,875
1993	461,184,296	28,953,773	3,366,426	493,504,495
1994*	101,204,844	23,200,415	6,118,120	130,523,379
1995*	80,478,984	21,523,266	1,779,561	103,781,811
1996*	55,714,235	27,141,097	2,633,587	85,488,919
1997*	65,420,869	22,144,590	6,484,140	94,049,599
1998*	43,324,253	27,631,504	4,362,699	75,318,456
1999*	43,473,181	25,142,085	5,539,619	74,154,885
2000*	42,208,839	29,316,267	3,032,322	74,557,428

Note: The tax collection function of the Texas Department of Insurance was transferred to the Comptroller of Public Accounts on September 1, 1993. Therefore, beginning in 1994, revenues collected by and/or transferred to the Texas Department of Insurance are included on this schedule.

TEXAS DEPARTMENT OF INSURANCE(454)

SCHEDULE 3 APPROPRIATION ITEM TRANSFERS*

For The Fiscal Year Ended August 31, 2000

ITEM OF APPROPRIATION

	<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
A. Goal: Encourage Fair Competition			
Strategies:			
A.1.1 (13017) Promote Competition	\$ 288,514.52	\$ 743,170.39	\$ (454,655.87)
(56001) Capital Budget	427,194.23	0.00	427,194.23
A.1.2 (13021) Promote Underserved Coverage	126,385.57	42,176.48	84,209.09
(56001) Capital Budget	12,837.47	0.00	12,837.47
A.2.1 (13018) Investigation/Enforcement	172,389.47	208,611.87	(36,222.40)
(56001) Capital Budget	189,635.51	0.00	189,635.51
A.2.2 (13023) Insurer Fraud	20,212.44	83,636.51	(63,424.07)
(56001) Capital Budget	37,205.74	0.00	37,205.74
Total Encourage Fair Competition	<u>\$ 1,274,374.95</u>	<u>\$ 1,077,595.25</u>	<u>\$ 196,779.70</u>
B. Goal: Insurance Industry Financial Health			
Strategies:			
B.1.1 (13022) Insurers Financial Condition	\$ 227,202.65	\$ 708,763.14	\$ (481,560.49)
(56001) Capital Budget	397,439.26	0.00	397,439.26
Total Insurance Industry Financial Health	<u>\$ 624,641.91</u>	<u>\$ 708,763.14</u>	<u>\$ (84,121.23)</u>
C. Goal: Decrease Industry Loss Costs			
Strategies:			
C.1.1 (13019) Loss Control Programs	\$ 88,377.96	\$ 313,991.69	\$ (225,613.73)
(56001) Capital Budget	110,565.62	0.00	110,565.62
C.1.2 (13020) Provider/Consumer Fraud	26,203.74	54,348.89	(28,145.15)
(56001) Capital Budget	44,995.49	0.00	44,995.49
Total Decrease Industry Loss	<u>\$ 270,142.81</u>	<u>\$ 368,340.58</u>	<u>\$ (98,197.77)</u>
D. Goal: Reduce Loss of Life and Property			
Strategies:			
D.1.1 (13028) Fire Protection	\$ 227,319.75	\$ 248,608.73	\$ (21,288.98)
(56001) Capital Budget	130,126.68	0.00	130,126.68
Total Reduce Loss of Life and Property	<u>\$ 357,446.43</u>	<u>\$ 248,608.73</u>	<u>\$ 108,837.70</u>
E.			
Strategies:			
E.1.1 (13800) Central Administration	\$ 98,415.55	\$ 63,538.62	\$ 34,876.93
E.1.2 (13801) Information Resources	60,649.24	74,188.74	(13,539.50)
E.1.3 (13802) Other Support Services	745.00	145,380.83	(144,635.83)
Total Indirect Administration	<u>\$ 159,809.79</u>	<u>\$ 283,108.19</u>	<u>\$ (123,298.40)</u>
NET APPROPRIATION ITEM TRANSFERS	<u><u>\$ 2,686,415.89</u></u>	<u><u>\$ 2,686,415.89</u></u>	<u><u>\$ 0.00</u></u>

* This schedule does not include the Benefit Replacement Pay Transfers, Salary Increase Transfers, or Rider Reduction Transfers.



**SCHEDULE 4
HUB STRATEGIC PLAN PROGRESS REPORT**

For The Fiscal Year Ended August 31, 2000

(Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124)

Goal = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	Actual for FY '99	Actual for FY '00	Goal for FY '01
Heavy Construction other than building contracts	N/A	N/A	N/A
Building Construction, including general contractors and operative builders contracts	N/A	N/A	N/A
Special Trade Construction contracts	N/A	N/A	N/A
Professional Services contracts	0.0%	0.0%	18.1%
Other Services contracts	15.3%	7.5%	33.0%
Commodities contracts	21.3%	44.9%	11.5%

Prepared by: _____

Approved: _____

(Signature Required)

Printed Name: Regina B. Durden

Phone Number: (512) 475-1782

Printed Name: Karen A. Phillips

**SCHEDULE 5
INDIRECT COSTS**

For The Fiscal Year Ended August 31, 2000

A. Payroll Related Costs (reported on Operating Statements)	\$		\$
FICA Employer Matching Contribution		2,946,545.29	
Group Health Insurance		3,982,417.06	
Retirement		2,410,755.75	
Unemployment		32,665.41	
Payroll Related Costs (Exh II)		<u>9,372,383.51</u>	
Workers' Compensation		179,347.46	
Benefit Replacement Pay		742,870.48	
Other Related Costs		<u>922,217.94</u>	
Total Payroll Related Costs			<u>10,294,601.45</u>
B. Indirect Costs (not reported on Operating Statements)			
Bond Debt Service Payments			
GSC		2,986,211.00	
Total Indirect Costs (not reported on Operating Statements)			<u>2,986,211.00</u>
C. Indirect Costs - Statewide Cost Allocation Plan (based on FY 99 data) - (Full Cost Method)			
USAS Depreciation		44,138.00	
(304) Comptroller		140,283.00	
(479) State Office of Risk Management		18,151.00	
(313) Information Resources		58,278.00	
(301) Governor - Budget		2,310.00	
(405) DPS Security		185,663.00	
(303) GSC Purchasing		6,890.00	
GSC Interagency Services		5,526.00	
GSC Bldg & Prop		1,019,032.00	
GSC Asbestos		23,349.00	
GSC Design, Construction, & Leasing		<u>32,990.00</u>	
Total Indirect Costs - Statewide Cost Allocation Plan (Full Cost Method)			<u>1,536,610.00</u>
TOTAL INDIRECT COSTS			<u>\$ 14,817,422.45</u>

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SCHEDULE 6 PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES

For The Fiscal Year Ended August 31, 2000

NAME	TYPE OF SERVICE RENDERED	AMOUNT
Professional/Consulting Fees		
Austin Community College	Education/Training Services	\$3,800.00
Brodie Animal Hospital	Veterinary Services	500.00
Carol Cofer and Associates	Educational/Training Services	(150.00) *
Deloitte & Touche	Actuarial Services	2,400.00
Department of Health	Medical Services	4,948.24
Department of Information Resources	Programming Services	(15,784.53) *
Discount Defensive Driving	Educational/Training Services	260.00
East El Paso Animal Hospital	Veterinary Services	318.00
Empirical Management Services	Survey Services	(7,090.00) *
General Services Commission	Cabling Services	(4,720.00) *
Grumman Technical Services	Data Processing Services	53,513.59
Grumman Technical Services	Disaster Recovery	38,005.50
Grumman Technical Services	Programming Services	50,000.00
Ingleside Animal Hospital	Veterinary Services	1,854.70
Madison Consulting Group	Actuarial Services	70,754.00
McConnel Jones and Lanier & Mu	Surveying Services	4,052.25
Medtox Laboratories	Medical Services	26.44
Milliman and Robertson, Inc.	Actuarial Services	270,436.25
Monday R. Rufus, PC	Accounting Services	21,035.00
National Association of Insurance Commissioners	Educational/Training Services	1,171.12
Net Explorer, Inc.	Programming Services	(10,000.00) *
North Texas Animal Clinic	Veterinary Services	705.84
Paul Z. Martin	Educational/Training Services	5,000.00
Plan 21	Employee Assistance Program	14,408.52
Scruggs Management Services	Actuarial Services	(15,225.00) *
Seton Health Partners	Medical Services	(348.00) *
Southwood Drive Veterinary	Veterinary Services	(172.99) *
Springtown Veterinary Hospital	Veterinary Services	(769.78) *
State Office of Risk Management	Assessment Fee	6,594.10
Statistical Services Corporation of Austin	Data Processing Services	12,129.96
Stay N Play Pet Ranch	Veterinary Services	385.00
Technical Services Associates	Programming Services	500.00
Texas Engineering Extension	Educational/Training Services	12,812.50
Travis Country Veterinary	Veterinary Services	350.00
University of North Texas	Surveying Services	13,000.00
University of Texas, LBJ School/Government Mgmt	Educational/Training Services	3,500.00
University of Texas, Office of Accounting	Surveying Services	2,448.00
West Central Texas Law Enforcement Academy	Educational/Training Services	(104.00) *
TOTAL PROFESSIONAL/CONSULTING FEES		<u>540,544.71</u>
Legal Service Fees		
Brown & Wood	Legal Services	31,647.70
Davis and Wilkerson	Legal Services	27,633.81
Randolph B. Huff	Legal Services	2,879.13
Tom Collins	Legal Services	9,270.00
TOTAL LEGAL SERVICE FEES		<u>71,430.64</u>
Total Professional, Consulting Fees and Legal Service Fees (Exhibit II)		\$ <u><u>611,975.35</u></u>
Discrete Component Unit:		
Surplus Lines Stamping Office of Texas (Exhibit IV)		\$ <u><u>154,140.00</u></u>

* Denotes negative amount resulting from over accrual in fiscal year 1999, reversing in fiscal year 2000.

TEXAS DEPARTMENT OF INSURANCE (454)

SCHEDULE 7 - SCHEDULE OF SPACE OCCUPIED
For the fiscal year ended August 31, 2000

<u>Location</u>	<u>Address</u>	<u>Lessor</u>	<u>Lease No.</u>	<u>Type</u>
<u>State Owned Buildings:</u>				
Austin	Hobby Building			
	TDI Warehouse			
	Capitool Annex			
	Parking Garage J			
Total				
<u>Leased Space:</u>				
Angleton	2512 North Velasco, Ste. B	Angleton Metroplex	454-1369-E6C	Office
Austin	108 Denson	Denson Group		Warehouse
Bay City	3322 Sixth Street	William M Bell	454-6659-E6C	Office
Bay City	2200 Ave. A	Ward Real Estate Inc.	454-1571-E6C	Office
Beaumont	5550 Eastex Frwy.	Madisonville State Bank	454-5859-E5C	Office
Beaumont	5550 Eastex Frwy.	Madisonville State Bank	454-5859-E5C	Office
Beaumont	5550 Eastex Frwy.	Beaumont Eastex OCI, Inc.	454-5859-E5C	Office
Beaumont	5550 Eastex Frwy.	Beaumont Eastex OCI, Inc.	454-5859-E5C	Office
Conroe	2040 North Loop 336 West, Ste. 316	Conroe Limited Partnership	454-8053-E6C	Office
Corpus Christi	606 N. Carancahua	ARC-Wilson Associates	454-5856-E11D	Office
Corpus Christi	606 N. Carancahua	ARC-Wilson Associates	454-5856-E11D	Office
Dallas	9241 LBJ Freeway	Howard Schultz & Associates	454-7609-E3B	Office
Dallas	9241 LBJ Freeway	Howard Schultz & Associates	454-7609-E3B	Office
Duncanville	203 East Camp Wisdom Dr.	Duncanville Plaza	454-9568-E3B	Office
Harlingen	630 Ed Carey Drive	Valley Mortgage	454-5860-E11D	Office
Houston	3600 South Gessner	Plazer Properties, Ltd	454-7975-E6C	Office
La Marque	7124 Mark 45 Blvd.	Robert Gass, Inc.	454-1313-E6C	Office
Lubbock	8212 Ithaca	Megaron	454-9986-E1A	Office
Lubbock	2402 52nd. St., Ste. 6	Freedom 4 Real Estate	454-1318-E1A	Office
San Antonio	1800 NE Loop 410	James F. Cotter	454-9538-E8D	Office
Tyler	3374 South Southwest Loop 323	Commerce Square Corp	454-8029-E4C	Office
Totals				

Section 2165.101 of the TEX GOV'T CODE requires the Agency to make every effort to achieve a ratio of not more than 153 square feet per employee at each agency site for usable office space insofar as possible without sacrifice of critical public or client services. Sites at which 15 or fewer employees are located are excluded. Due to the unusual configuration of the Hobby Building, and because of floor load limitations, the Hobby Building will not support 153 square feet per employee. Since 1993 TDI has reduced the per FTE allocation from 270 to the current 237 square feet per FTE as of August 31, 2000.

UNAUDITED

Usable Square Feet	FTEs	Rental Per Month		Actual Annual Cost	Comments
		Cost Per Square Foot	Cost Per Month		
201,217					
24,150					
110					
892					
<u>226,369</u>					
1,000	7	1.05	\$ 1,050.00	\$ 12,600.00	Expires 07/31/02
61,200		0.46	28,792.32	340,500.48	Expires 12/31/01
550	2	0.8818	484.99	3,394.93	Expired 03/31/00
600	3	1.50	900.00	4,500.00	Expires 03/31/03
1,000	4	0.7702	770.20	1,539.19	Expired 10/31/99
686	3	0.917	629.06	1,259.33	Expired 10/31/99
1,000	3	0.7702	770.20	7,695.93	Expires 08/31/03
686	2	0.917	629.06	6,296.67	Expires 08/31/03
814	3	0.90	732.60	8,791.20	Expires 08/31/01
2,329	10	0.8914	2,075.98	24,911.76	Expires 04/30/04
1,067	4	0.8914	986.12	11,553.44	Expires 04/30/04
1,200	6	0.7093	851.16	10,258.72	Expires 03/31/01
1,371	7	0.7519	1,030.93	12,425.42	Expires 03/31/01
1,520	4	1.0988	1,670.20	20,042.40	Expires 02/28/02
1,375	5	0.7138	981.54	11,778.48	Expires 08/31/03
2,099	6	1.191	2,500.00	24,818.88	Expires 04/30/01
2,000	9	1.5248	3,049.50	36,198.00	Expires 04/30/02
1,870	3	0.7083	1,324.52	6,622.60	Expired 01/31/00
1,000	5	0.66	660.00	4,620.00	Expires 01/31/05
1,493	2	1.10	1,642.30	19,707.60	Expires 04/30/05
1,700	4	0.7723	1,312.97	15,523.98	Expires 05/31/01
<u>86,560</u>			<u>\$ 52,843.65</u>	<u>\$ 585,039.01</u>	

ADDENDUM - GENERAL COMMENTS

1. A public employee blanket honesty bond issued by The Western Surety Company bonds department employees up to \$10,000 each. A public official bond issued by the Travelers Casualty and Surety Company covers the Commissioner up to \$50,000. A public and employees liability insurance policy issued by the National Union Fire Insurance Company covers the Commissioner and other named officials up to a \$5 million aggregate with a \$25,000 per claim retention.
2. If the General Services Commission, after considering all factors for a purchase requisition, takes exception to the justifications, it shall purchase the supplies, material, services or equipment as requested and report the reasons for its exceptions to the agency head or the chairman of the governing body, the State Auditor, the Legislative Budget Board, and the Governor. During the year ended August 31, 2000, the General Services Commission issued no exception letters for the department.
3. The following motor vehicles were purchased during the fiscal year:

Qty	Make and Model	Unit Price	Total	Assigned Type of Use	Fuel Efficiency Rating
4	2000 Chevy _ Ton Pickup	19,065.00	\$76,260.00	Law Enforcement	16 city, 21 hwy
1	1996 Chevy Lumina Sedan	5,431.00	\$ 5,431.00	Law Enforcement	Used Vehicle
3	1996 GMC _ Ton Pickup	7,940.00	\$23,820.00	Law Enforcement	Used Vehicle
4	1995 Ford Crown Victoria	6,200.00	\$24,800.00	Law Enforcement	Used Vehicle