



Texas Department of Insurance

Commissioner of Insurance, Mail Code 113-1C
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November 17, 2006

Honorable Rick Perry, *Governor*
Honorable Carole Keeton Strayhorn, *Texas Comptroller*
John O'Brien, *Deputy Director, Legislative Budget Board*
John Keel, CPA, *State Auditor*

Dear Public Officials:

We are pleased to submit the *Annual Financial Report* of the Texas Department of Insurance for the year ended August 31, 2006, 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 Joe Meyer at 512-463-6143.

Sincerely,

A handwritten signature in black ink that reads "Mike Geeslin".

Mike Geeslin
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2006**

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Texas Department of Insurance (454)

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

August 31, 2006

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
On Hand	\$ 685.00	\$ -	\$ 685.00
In Bank	25,000.00	75,390.33	100,390.33
In State Treasury	152,187,647.21		152,187,647.21
Cash Equivalents		8,035,483.10	8,035,483.10
Receivables from:			
Federal	286,251.42		286,251.42
Accounts Receivable	3,816,139.83	61,493.79	3,877,633.62
Interfund Receivable (Note 8)	-		-
Due From Other Agencies	7,300.00		7,300.00
Consumable Inventories	156,879.00		156,879.00
Total Current Assets	<u>156,479,902.46</u>	<u>8,172,367.22</u>	<u>164,652,269.68</u>
Capital Assets (Note 2):			
Non-Depreciable			
Other Capital Assets			
Depreciable			
Furniture and Equipment			
Less Accumulated Depreciation			
Vehicle, Boats, and Aircraft			
Less Accumulated Depreciation			
Other Capital Assets			
Less Accumulated Depreciation			
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 156,479,902.46</u>	<u>\$ 8,172,367.22</u>	<u>\$ 164,652,269.68</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 3,837,856.81	\$ -	\$ 3,837,856.81
Payroll	7,537,407.05		7,537,407.05
Due to Other Agencies	3,792,988.14		3,792,988.14
Deferred Revenue	912,723.27		912,723.27
Employees Compensable Leave (Note 5)			
Total Current Liabilities	<u>16,080,975.27</u>	<u>-</u>	<u>16,080,975.27</u>
Non-Current Liabilities:			
Employees Compensable Leave (Note 5)			
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>16,080,975.27</u>	<u>-</u>	<u>16,080,975.27</u>

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

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ -	\$ -	\$ 685.00
			100,390.33
			152,187,647.21
			8,035,483.10
			286,251.42
			3,877,633.62
			-
			7,300.00
			156,879.00
-	-	-	164,652,269.68
			-
9,728,925.72			9,728,925.72
(7,733,304.37)			(7,733,304.37)
1,029,770.98			1,029,770.98
(723,700.98)			(723,700.98)
15,899.30			15,899.30
(7,437.32)			(7,437.32)
2,310,153.33	-	-	2,310,153.33
<u>\$ 2,310,153.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,962,423.01</u>
			-
\$ -	\$ -	\$ -	\$ 3,837,856.81
			7,537,407.05
			3,792,988.14
			912,723.27
	5,275,715.46		5,275,715.46
-	5,275,715.46	-	21,356,690.73
			-
	1,930,152.03		1,930,152.03
-	1,930,152.03	-	1,930,152.03
-	7,205,867.49	-	23,286,842.76

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

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Texas Department of Insurance (454)

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

August 31, 2006

	<u>Governmental Fund Types</u>		<u>Governmental Funds Total</u>
	<u>General Funds (Ex A-1)</u>	<u>Special Revenue Funds (9999) U/F(1999)</u>	
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	\$ 50,522.00	\$ -	\$ 50,522.00
Inventories	156,879.00		156,879.00
Imprest	25,685.00		25,685.00
Unreserved Designated for:			
Undesignated	140,165,841.19	8,172,367.22	148,338,208.41
Total Fund Balances	<u>140,398,927.19</u>	<u>8,172,367.22</u>	<u>148,571,294.41</u>
Total Liabilities and Fund Balances	<u>\$ 156,479,902.46</u>	<u>\$ 8,172,367.22</u>	<u>\$ 164,652,269.68</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets:

 Invested in Capital Assets, Net of Related Debt

 Unrestricted

Total Net Assets

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
			\$ 50,522.00
			156,879.00
			25,685.00
			148,338,208.41
			148,571,294.41
\$ 2,310,153.33	\$ - (7,205,867.49)	\$ -	\$ 2,310,153.33 (7,205,867.49)
\$ 2,310,153.33	\$ (7,205,867.49)	\$ -	\$ 143,675,580.25

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

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Texas Department of Insurance (454)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds

For the Fiscal Year Ended August 31, 2006

	General Funds (Ex A-2)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
REVENUES			
Taxes	\$ 1,084,801.08	\$ -	\$ 1,084,801.08
Federal Revenue (Sch 1A)	2,906,952.20		2,906,952.20
Federal Pass-Through Revenue (Sch 1A)	147,298.88		147,298.88
Licenses, Fees & Permits	35,179,845.28		35,179,845.28
Settlement of Claims	1,010.00		1,010.00
Sales of Goods and Services	27,329.73		27,329.73
Interest and Other Investment Income		363,127.23	363,127.23
Other	8,221,836.91	572,464.35	8,794,301.26
Total Revenues	47,569,074.08	935,591.58	48,504,665.66
EXPENDITURES			
Salaries and Wages	72,991,893.00	622,127.29	73,614,020.29
Payroll Related Costs	21,169,032.52		21,169,032.52
Professional Fees and Services	4,601,699.02	1,935.00	4,603,634.02
Travel	2,195,363.04	6,433.41	2,201,796.45
Materials and Supplies	2,957,640.36	680.39	2,958,320.75
Communication and Utilities	1,676,507.71	3,158.29	1,679,666.00
Repairs and Maintenance	1,595,277.62	9,766.37	1,605,043.99
Rentals & Leases	3,434,881.08		3,434,881.08
Printing and Reproduction	300,262.86		300,262.86
Claims and Judgments	2,633,842.43		2,633,842.43
Other Expenditures	4,541,249.64	44,624.43	4,585,874.07
Capital Outlay	412,572.16		412,572.16
Depreciation Expense			-
Total Expenditures/Expenses	118,510,221.44	688,725.18	119,198,946.62
Excess (Deficiency) of Revenues Over Expenditures	(70,941,147.36)	246,866.40	(70,694,280.96)
OTHER FINANCING SOURCES (USES)			
Transfers In	202,529,061.60		202,529,061.60
Transfers Out	(31,799,594.50)		(31,799,594.50)
Sale of Capital Assets	15,137.17		15,137.17
Legislative Transfers Out (Note 8)	(33,929.95)		(33,929.95)
Gain (Loss) on Sale of Capital Assets			-
Increase/Decrease in Net Assets Due to Interagency Transfer of Capital Assets			
Total Other Financing Sources and Uses	170,710,674.32	-	170,710,674.32
Net Change in Fund Balances/Net Assets	99,769,526.96	246,866.40	100,016,393.36

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

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 1,084,801.08
			2,906,952.20
			147,298.88
			35,179,845.28
			1,010.00
			27,329.73
			363,127.23
			8,794,301.26
<u>-</u>	<u>-</u>	<u>-</u>	<u>48,504,665.66</u>
	3,013,957.66		76,627,977.95
			21,169,032.52
			4,603,634.02
			2,201,796.45
			2,958,320.75
			1,679,666.00
			1,605,043.99
			3,434,881.08
			300,262.86
			2,633,842.43
			4,585,874.07
(412,572.16)			-
979,491.92			979,491.92
<u>566,919.76</u>	<u>3,013,957.66</u>	<u>-</u>	<u>122,779,824.04</u>
<u>(566,919.76)</u>	<u>(3,013,957.66)</u>	<u>-</u>	<u>(74,275,158.38)</u>
			202,529,061.60
			(31,799,594.50)
(15,137.17)			-
			(33,929.95)
15,137.17			15,137.17
<u>2,094,554.34</u>			<u>2,094,554.34</u>
2,094,554.34	-	-	172,805,228.66
			<u>98,530,070.28</u>

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

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Texas Department of Insurance (454)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds

For the Fiscal Year Ended August 31, 2006

	General Funds (Ex A-2)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
FUND FINANCIAL STATEMENT-FUND BALANCES			
Fund Balances--Beginning	\$ 40,629,400.23	\$ 7,925,500.82	\$ 48,554,901.05
Restatements	-		-
Fund Balances, September 1, 2005, as Restated	40,629,400.23	7,925,500.82	48,554,901.05
Fund Balances--August 31, 2006	<u>\$ 140,398,927.19</u>	<u>\$ 8,172,367.22</u>	<u>\$ 148,571,294.41</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets/Change in Net Assets	<u>\$ 148,571,294.41</u>
Net Assets-Beginning	
Restatements	
Net Assets, September 1, 2005, as Restated	
Net Assets-August 31, 2006	<u>\$ 148,571,294.41</u>

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
			\$ 48,554,901.05
			-
			48,554,901.05
			\$ 147,084,971.33
\$ 1,527,634.58	\$ (3,013,957.66)	\$ -	\$ 147,084,971.33
\$ 782,518.75	\$ (4,191,909.83)	\$ -	(3,409,391.08)
782,518.75	(4,191,909.83)	-	(3,409,391.08)
\$ 2,310,153.33	\$ (7,205,867.49)	\$ -	\$ 143,675,580.25

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

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Texas Department of Insurance (454)
Exhibit III - Combined Statement of Net Assets
Proprietary Funds

August 31, 2006

	Total Proprietary Component Units (Exhibit L-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ 842,013.00
Cash Equivalents (Note 3)	17,381,866.00
Short Term Investments (Note 3)	55,381,250.00
Receivables from:	
Interest and Dividends	-
Accounts Receivable	1,496,850.00
Other	6,364,854.00
Total Current Assets	81,466,833.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	3,294,248.00
Less Accumulated Depreciation	(2,349,628.00)
Other Non-Current Assets	23,928.00
Total Non-Current Assets	968,548.00
Total Assets	82,435,381.00
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	1,360,227.00
Deferred Revenue	22,455,669.00
Other Liabilities	27,286,082.00
Notes and Loans Payable	-
Total Current Liabilities	51,101,978.00
Non-Current Liabilities:	
Other Liabilities	21,890,000.00
Total Non-Current Liabilities	21,890,000.00
Total Liabilities	72,991,978.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	931,793.00
Unrestricted	8,511,610.00
Total Net Assets	\$ 9,443,403.00

Note A - These Component Units have a fiscal year end of December 31, 2005. Financial information is as of that date.

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Texas Department of Insurance (454)
Exhibit IV - Combined Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds

For the Fiscal Year Ended August 31, 2006

	Total Proprietary Component Units (Exhibit L-2)
OPERATING REVENUES:	
Sales of Goods and Services:	
Other Sales of Goods and Services	\$ 3,088,455.00
Premium Revenue	162,239,058.00
Interest and Investment Income	2,392,059.00
Other Operating Revenues	89,957,541.00
Total Operating Revenues	257,677,113.00
OPERATING EXPENSES:	
Salaries and Wages	1,360,365.00
Payroll Related Costs	379,306.00
Professional Fees and Services	15,978,482.00
Travel	107,415.00
Materials and Supplies	114,690.00
Communication and Utilities	38,209.00
Repairs and Maintenance	42,143.00
Rentals and Leases	260,789.00
Printing and Reproduction	21,224.00
Depreciation and Amortization	555,010.00
Other Operating Expenses	238,539,219.00
Total Operating Expenses	257,396,852.00
Operating Income (Loss)	280,261.00
Change in Net Assets	280,261.00
Total Net Assets, September 1, 2005	9,163,142.00
Restatements	-
Total Net Assets, September 1, 2005, as Restated	9,163,142.00
Total Net Assets, August 31, 2006	\$ 9,443,403.00

Note A - These Component Units have a fiscal year end of December 31, 2004. Financial information is as of that date.

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Texas Department of Insurance (454)
Exhibit VI - Combined Statement of Fiduciary Net Assets
Fiduciary Funds

August 31, 2006

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 224,425.68	\$ -	\$ 224,425.68
Cash in State Treasury	572,892.86	16,027,693.34	16,600,586.20
Cash Equivalents	466,411,981.39		466,411,981.39
Short Term Investments (Note 3)	-		-
Accounts Receivable	67,877.36	1,008,184.97	1,076,062.33
Other Assets	88,578,275.84	823,654,395.49	912,232,671.33
Total Assets	<u>555,855,453.13</u>	<u>840,690,273.80</u>	<u>1,396,545,726.93</u>
LIABILITIES			
Due to Other Agencies	-	1,008,184.97	1,008,184.97
Funds Held for Others	88,578,275.84	839,682,088.83	928,260,364.67
Total Liabilities	<u>88,578,275.84</u>	<u>840,690,273.80</u>	<u>929,268,549.64</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	467,277,177.29		467,277,177.29
Total Net Assets	<u>\$ 467,277,177.29</u>	<u>\$ -</u>	<u>\$ 467,277,177.29</u>

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

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Texas Department of Insurance (454)
Exhibit VII - Combined Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

August 31, 2006

	Private- Purpose Trust (Exhibit I-2)	Totals
	<u> </u>	<u> </u>
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 20,622,624.60	\$ 20,622,624.60
Total Investing Income	20,622,624.60	20,622,624.60
Less Investing Activities Expense	-	-
Net Income from Investing Activities	20,622,624.60	20,622,624.60
Total Net Investment Income	<u>20,622,624.60</u>	<u>20,622,624.60</u>
Other Additions		
Other Revenue	28,965,529.26	28,965,529.26
Transfers In	-	-
Total Other Additions	<u>28,965,529.26</u>	<u>28,965,529.26</u>
Total Additions	<u>49,588,153.86</u>	<u>49,588,153.86</u>
DEDUCTIONS		
Professional Fees and Services	-	-
Settlement of Claims	48,468,265.45	48,468,265.45
Other Expense	3,134,500.01	3,134,500.01
Transfers Out	1,000,000.00	1,000,000.00
Total Deductions	<u>52,602,765.46</u>	<u>52,602,765.46</u>
NET INCREASE (DECREASE)	<u>(3,014,611.60)</u>	<u>(3,014,611.60)</u>
Net Assets- September 1, 2005	470,291,788.89	470,291,788.89
Restatements	-	-
Net Assets, September 1, 2005 As Restated	<u>470,291,788.89</u>	<u>470,291,788.89</u>
Net Assets - August 31, 2006	<u>\$ 467,277,177.29</u>	<u>\$ 467,277,177.29</u>

TEXAS DEPARTMENT OF INSURANCE (454)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Chapter of 31.002 of the Texas Insurance Code. Chapter 31.002 states "the department shall (1) regulate the business of insurance in this state; (2) administer the workers' compensation system of this state as provided by Title 5 Labor Code, and (3) ensure that this code and other laws regarding insurance and insurance companies are executed." The history of the Agency dates back to the Texas Constitution of 1876. Since then, the composition of the Agency has changed several times. In 1993, 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. Additionally, effective September 1, 2005, House Bill 7, 79th Legislature, Regular Session, created the Division of Workers' Compensation within the Texas Department of Insurance. This legislation transferred many of the duties and functions of the abolished Texas Workers' Compensation Commission to the Division of Workers' Compensation to administer and operate the workers' compensation system of the State.

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

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

Blended Component Units

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

Discretely Presented Component Units

These component units are legally separate from the state, but are financially accountable to the state, or have a relationship with the state such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

- 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.
- The Texas Health Reinsurance System is a not-for-profit entity created to assure the availability of appropriate health care coverage to Texas residents and to provide a reinsurance mechanism to facilitate the provision of small employer coverage. The Commissioner approves the assessment formula by which assessments are made against reinsured carriers.
- 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. It is governed by a nine-member board appointed by the Commissioner of Insurance, who also approves rates and rate schedules used by the Risk Pool.

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TEXAS DEPARTMENT OF INSURANCE (454)

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The General Fund 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.

Special Revenue Funds

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.

Capital Assets Adjustment Fund Type

Capital Assets Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

Other Adjustments Fund Type

Other Adjustments fund type will be used to convert all other governmental fund types' activity from modified accrual to full accrual.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

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.

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.

COMPONENT UNITS

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 17.

Proprietary Component Units are used to account for the discretely presented component units which follow proprietary fund measurement focus and accounting principles.

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TEXAS DEPARTMENT OF INSURANCE (454)

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, unpaid Employee Compensable Leave, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Inventories and Prepaid Items

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

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

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TEXAS DEPARTMENT OF INSURANCE (454)

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.

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Non-Current Payables - Other

Outstanding claims for the Texas Health Insurance Risk Pool are classified as Other Liabilities by the Comptroller of Public Accounts.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that become "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.

FUND BALANCE/NET ASSETS

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

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.

Reserved for Encumbrances

This 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.

Unreserved/Undesignated

Other represents the unappropriated balance at year-end.

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.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions among 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.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 2: CAPITAL ASSETS

Revenue received from the sale of Surplus Property is recorded in Unappropriated General Revenue.

A summary of changes in Capital Assets for the year ended August 31, 2006 is presented below:

Asset Type	Balance 9/1/05	Adjust- ments	PRIMARY GOVERNMENT			Additions	Deletions	Balance 8/31/06
			Comple- -ed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans			
Governmental activities:								
Non-depreciable Assets								
Other Capital Assets	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total non-depreciable assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciable Assets								
Furniture and Equipment	2,770,660.14	0.00	0.00	6,754,958.42	(36,746.00)	246,966.16	(6,913.00)	9,728,925.72
Vehicles	947,699.20	0.00	0.00	95,214.00	0.00	165,606.00	(178,748.22)	1,029,770.98
Other Capital Assets	15,899.30	0.00	0.00	0.00	0.00	0.00	0.00	15,899.30
Total depreciable assets at historical costs	3,734,258.64	0.00	0.00	6,850,172.42	(36,746.00)	412,572.16	(185,661.22)	10,774,596.00
Less accumulated depreciation for:								
Furniture and Equipment	(2,132,482.86)	0.00	0.00	(4,719,280.40)	32,458.79	(920,912.90)	6,913.00	(7,733,304.37)
Vehicles	(814,090.83)	0.00	0.00	(32,050.47)	0.00	(56,307.90)	178,748.22	(723,700.98)
Other Capital Assets	(5,166.20)	0.00	0.00	0.00	0.00	(2,271.12)	0.00	(7,437.32)
Total accumulated depreciation	(2,951,739.89)	0.00	0.00	(4,751,330.87)	32,458.79	(979,491.92)	185,661.22	(8,464,442.67)
Depreciable assets, net	782,518.75	0.00	0.00	2,098,841.55	(4,287.21)	(566,919.76)	0.00	2,310,153.33
Governmental activities capital assets, net	\$ 782,518.75	\$ 0.00	\$ 0.00	\$ 2,098,841.55	\$ (4,287.21)	\$ (566,919.76)	\$ 0.00	\$ 2,310,153.33

DISCRETELY PRESENTED COMPONENT UNITS

Asset Type	Balance	Adjust \$ -ments	Comple- -ed CIP	Inc-Int'agy \$ Trans	Dec-Int'agy \$ Trans	\$ Additions	\$ Deletions	Balance
	\$ 9/1/05							\$ 8/31/06
Proprietary activities:								
Depreciable Assets								
Furniture and Equipment	3,430,465.00	0.00	0.00	0.00	0.00	110,035.00	(246,252.00)	3,294,248.00
Total depreciable assets at historical costs	3,430,465.00	0.00	0.00	0.00	0.00	110,035.00	(246,252.00)	3,294,248.00
Less accumulated depreciation for:								
Furniture and Equipment	(2,040,869.00)	(1.00)	0.00	0.00	0.00	(555,010.00)	246,252.00	(2,349,628.00)
Total accumulated depreciation	(2,040,869.00)	(1.00)	0.00	0.00	0.00	(555,010.00)	246,252.00	(2,349,628.00)
Depreciable assets, net	1,389,596.00	(1.00)	0.00	0.00	0.00	(444,975.00)	0.00	944,620.00
Business-Type activities capital assets, net	\$ 1,389,596.00	\$ (1.00)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (444,975.00)	\$ 0.00	\$ 944,620.00

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 3: DEPOSITS, INVESTMENTS AND 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

As of August 31, 2006, the carrying amount of deposits was \$1,166,829.01 as presented below.

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING VALUE	\$100,390.33
	<u>\$100,390.33</u>
Cash In Bank Per AFR	<u>\$100,390.33</u>
Governmental Funds Current Assets Cash in Bank	\$99,386.54
Governmental Funds Texas Treasury Safekeeping Trust	1,003.79
Cash in Bank per AFR	<u>\$100,390.33</u>
Fiduciary Funds	
CASH IN BANK – CARRYING VALUE	\$224,425.68
	<u>\$224,425.68</u>
Cash In Bank Per AFR	<u>\$224,425.68</u>
Fiduciary Funds Current Assets Cash in Bank	\$104,124.63
Fiduciary Funds Texas Treasury Safekeeping Trust	120,301.05
Cash in Bank per AFR	<u>\$224,425.68</u>
Discrete Component Units	
CASH IN BANK – CARRYING VALUE	\$842,013.00
	<u>\$842,013.00</u>
Cash In Bank Per AFR	<u>\$842,013.00</u>
Discrete Component Unit Current Assets Cash in Bank	\$842,013.00
Cash in Bank per AFR	<u>\$842,013.00</u>

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

As of August 31, 2006 the total bank balance was as follows.

Governmental and Business-Type Activities	\$95,347.94	Fiduciary Funds	\$224,425.68	Discrete Component Units	\$842,013.00
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Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency and the discrete component units will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a policy for custodial credit risk but maintains cash balances in a major financial institution and monitors account balances for amounts over \$100,000 of the FDIC limit. The Surplus Lines Stamping Office's cash deposits are held in a major financial institution and are insured up to \$100,000. Management monitors balance in all accounts and has not experienced any losses on the deposits. The Texas Health Insurance Risk Pool monitors balances. Management does not believe the amount exceeding the federal insured limit represents a significant or unusual risk. The bank balances that were exposed to custodial credit risks are as follows:

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TEXAS DEPARTMENT OF INSURANCE (454)

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
15	3159		\$21,284	
15	4152		\$153,926	

INVESTMENTS

As of August 31, 2006, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Fair Value
Repurchase Agreements-Texas Treasury Safekeeping Trust Co	\$ 8,035,483.10
Total	\$ 8,035,483.10

Fiduciary Funds	Fair Value
U.S. Government:	\$
U.S. Treasury Securities	1,751,367.96
Repurchase Agreements-Texas Treasury Safekeeping Trust Co	464,660,613.43
Total	\$ 466,411,981.39

Discreet Component Units	Fair Value
U.S. Government:	\$
U.S. Treasury Securities	11,408,620.00
U.S. Government Agency Obligations	55,381,250.00
Repurchase Agreement	5,972,246.00
Total	\$ 72,763,116.00

Custodial credit risk for investments is that risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency's investment policy limits holding of securities by counterparties to those involved with securities lending. The Surplus Lines Stamping Office investment policies limit the amount of credit exposure and the types of investments that can be purchased. The Stamping Office's investments are held by a registered broker/dealer and are protected by SIPC up to \$500,000 of which no more than \$100,000 may be in cash

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
02	9999	US Government Securities	\$1,175,367.96	
15	3159	US Government Securities	\$8,020,669.00	

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Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Texas Health Insurance Risk Pool had investments in U.S. Government Sponsored Enterprises. As of August 31, 2006, the Pool's credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	GAAP Fund	Investment Type	AA	AA	A	BB
15	4152	US Government Agency Obligations	\$55,381,250.00			

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. As of August 31, 2006 the Texas Health Insurance Risk Pool's concentration of credit risk as follows:

Fund Type	GAAP Fund	Issuer	Carry Value	% of total portfolio
15	4152	FHLB Discount Corp.	\$15,506,750	28%
15	4152	FHLMC Discount Notes	\$9,968,625	18%
15	4152	Freddie Discount Notes	19,937,250	36%
15	4152	FNMA Discount Notes	9,968,625	18%

NOTE 4: SUMMARY OF SHORT-TERM DEBT

N/A

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2006, the following changes occurred in liabilities.

Governmental Activities	PRIMARY GOVERNMENT				Amounts Due Within One Year
	Balance 9/1/05	Additions	Reductions	Balance 8/31/06	
Compensable Leave	\$ 4,191,909.83	\$ 15,548,888.09	\$ 12,534,930.43	\$ 7,205,867.49	\$ 5,275,715.46
Total Governmental Activities	\$ 4,191,909.83	\$ 15,548,888.09	\$ 12,534,930.43	\$ 7,205,867.49	\$ 5,275,715.46

Proprietary Activities	DISCRETELY PRESENTED COMPONENT UNITS				Amounts Due Within One Year
	Balance 9/1/05	Additions	Reductions	Balance 8/31/06	
Other Liabilities	\$ 22,500,000.00	\$ 0.00	\$ 610,000.00	\$ 21,890,000.00	\$ 0.00
Total Proprietary Activities	\$ 22,500,000.00	\$ 0.00	\$ 610,000.00	\$ 21,890,000.00	\$ 0.00

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.

Other Liabilities

Outstanding claims for the Texas Health Insurance Risk Pool are classified as Other Liabilities by the Comptroller of Public Accounts.

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 6: CAPITAL LEASES

N/A

NOTE 7: OPERATING LEASE OBLIGATIONS

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

PRIMARY GOVERNMENT	
Year Ended August 31, 2006	
2007	\$ 2,679,071.56
2008	2,246,361.36
2009	2,217,910.16
2010	2,174,013.44
2011	2,098,777.00
2012	1,785,633.00
After 2012	2,209,721.00
Total Minimum Future Lease Rental Payments	<u>\$ 15,411,487.52</u>

DISCRETELY PRESENTED COMPONENT UNITS

Year Ended August 31, 2006	
2007	\$ 275,515.00
2008	233,040.00
2009	234,789.00
2010	240,311.00
2011 & After	245,924.00
Total Minimum Future Lease Rental Payments	<u>\$ 1,229,579.00</u>

NOTE 8: INTERFUND BALANCES/ACTIVITIES

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

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

Balances and activity for Legislative Transfers In or Legislative Transfers Out at August 31, 2006 follow:

	Legislative Transfers In	Legislative Transfers Out
GENERAL REVENUE		
Appropriated Fund 0001 (Agency 902, Fund 0001)	\$ 0.00	\$(33,929.95)
Total Legislative Transfers	<u>\$ 0.00</u>	<u>\$(33,929.95)</u>

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 9: CONTINGENT LIABILITIES

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

- Personnel There is one lawsuit against TDI by a former TDI employee challenging a personnel decision made by TDI. The case remains pending in Travis County District Court. The lawsuit does not specify an amount sought.
- Regulatory There are a number of pending actions to which TDI and DWC is a party in connection with regulatory duties. These generally do not seek monetary relief, other than attorneys' fees, but rather seek to reverse a regulatory action of the agency.

The Agency has received a federal grant for a specific purpose that is subject to review and audit by the grantor agency. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 10: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished on September 1, 2009, unless continued in existence by the 81st Legislature as provided by the Act.

NOTE 11: 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 and liability claims due to the performance of its duties. The only commercial insurance carried by the Agency is a Public Officers Liability Insurance policy, which is issued in accordance with terms and conditions from the State Office of Risk Management. The Texas Department of Insurance is not 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 loss 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. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the agency's claims liabilities during the fiscal 2005 and 2006 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2005	\$ 0.00	\$ 2,000.00	\$ 2,000.00	\$ 0.00
2006	0.00	4,619.49	4,619.49	0.00

NOTE 12: SEGMENT INFORMATION

N/A

NOTE 13: BONDED INDEBTEDNESS

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 14: SUBSEQUENT EVENTS

House Bill 7 that was passed during the regular session of the 79th legislature abolished the Texas Workers' Compensation Commission on September 1, 2005. HB 7 also established the Division of Workers' Compensation within the Texas Department of Insurance to administer and operate the workers' compensation system of the State, effective September 1, 2005.

TDI is in the process of contracting with a vendor related to Senate Bill 1670 and represents a significant contractual arrangement.

NOTE 15: RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are eight and one-quarter allocated employees and no appropriated employees; however, there are budgeted positions for eleven and one-half allocated employees and none for appropriated employees. Liquidation Oversight operations include legal, docketing, financial/auditing and records management.

NOTE 16: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 17: THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

The Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present TDI (the primary government) and its component units. The component units discussed below are included in the agency's reporting entity because of the significance of their operational or financial relationships with the state.

Individual Component Unit Disclosures

Discretely Presented Component Units:

The Texas Department of Insurance is financially accountable for the following legally separate entities; however, they do not provide services entirely or almost entirely to the Texas Department of Insurance. They are reported in separate exhibits to emphasize that they are legally separate from the Texas Department of Insurance.

1. The *Surplus Lines Stamping Office of Texas* was created pursuant to Chapters 981.151 – 981.160 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.
2. 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.
3. The *Texas Health Insurance Risk Pool* provides access to quality health care at a minimum cost to the public for those unable to obtain traditional health care coverage. The Texas Department of Insurance approves all rates and rate schedules before they are used.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

Surplus Lines Stamping Office of Texas
P.O. Box 160170
Austin, Texas 78716-0170

Texas Health Insurance Risk Pool
1701 Director's Blvd., Suite 120
Austin, TX 78744

Texas Health Reinsurance System
100 Great Meadow Road, Suite 704
Wethersfield, CT 06109

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TEXAS DEPARTMENT OF INSURANCE (454)

Related Organizations

1. The **Life, Accident, Health and Hospital Service Insurance Guaranty Association** was created pursuant to Article 21.28-D of the Texas Insurance Code (TIC) 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 or 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 pursuant to Article 9.48 of the TIC for the purpose of providing 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.

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

NOTE 18: RESTATEMENT OF FUND BALANCES/NET ASSETS

N/A

NOTE 19: EMPLOYEE RETIREMENT PLANS

The Employees' Retirement System administers and reports the activity for the plan.

NOTE 20: DEFERRED COMPENSATION PLANS

The Employee's Retirement System administers and reports the activity for the plan.

NOTE 21: DONOR-RESTRICTED ENDOWMENTS

N/A

NOTE 22: MANAGEMENT DISCUSSION AND ANALYSIS

House Bill 7, 79th Legislature, Regular Session, created the Division of Workers' Compensation (DWC) within the Texas Department of Insurance effective September 1, 2005. This legislation had a material impact on the financial statement balances for the governmental fund for the Texas Department of Insurance. Activities for the DWC are funded from the Texas Department of Insurance Operating Account. This caused material increases in balances for Cash in State Treasury, Accounts Payable, Transfers In, Revenues, Expenditures and Fund Balance. Additionally, the Subsequent Injury Fund was transferred to the Department which caused material increases in balances for Cash in State Treasury, Transfers In, and Fund Balance.

Additional legislation of the 79th Legislature caused a material change in the Transfers Out balance of the Department. Funds were transferred from the Texas Department of Insurance Operating Account to the Cancer Council, the Health Professions Council and the Office of Injured Employee Counsel to fund the activities of these agencies.

NOTE 23: POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 24: SPECIAL OR EXTRAORDINARY ITEMS

The agency received the following amounts as a result of the merger of the Texas Workers' Compensation Commission into the Department:

General Fund	\$88,107,160
Fiduciary Funds	<u>\$13,250,000</u>
Total	\$101,357,160

NOTE 25: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

N/A

NOTE 26: TERMINATION BENEFITS

N/A

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Texas Department of Insurance (454)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

August 31, 2006

	General Revenue	Consolidated Accounts		Total (Ex I)
	General Revenue (0001)	GR Account -Tx Department of Insurance Operating (0036)	GR Account - Subsequent Injury Fund (5101)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
On Hand	\$ -	\$ 685.00	\$ -	\$ 685.00
In Bank		25,000.00		25,000.00
In State Treasury		102,096,750.51	50,090,896.70	152,187,647.21
Receivables from:				
Federal	42,301.24	243,950.18		286,251.42
Accounts Receivable		3,545,258.33	270,881.50	3,816,139.83
Interfund Receivable (Note 8)				-
Due From Other Agencies		7,300.00		7,300.00
Consumable Inventories		156,879.00		156,879.00
Total Current Assets	42,301.24	106,075,823.02	50,361,778.20	156,479,902.46
Total Assets	\$ 42,301.24	\$ 106,075,823.02	\$ 50,361,778.20	\$ 156,479,902.46
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 57,628.46	\$ 3,780,011.35	\$ 217.00	\$ 3,837,856.81
Payroll		7,537,407.05		7,537,407.05
Due To Other Agencies		3,792,988.14		3,792,988.14
Deferred Revenue		645,041.69	267,681.58	912,723.27
Total Current Liabilities	57,628.46	15,755,448.23	267,898.58	16,080,975.27
Total Liabilities	57,628.46	15,755,448.23	267,898.58	16,080,975.27
FUND FINANCIAL STATEMENT				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances		50,522.00		50,522.00
Inventories		156,879.00		156,879.00
Imprest		25,685.00		25,685.00
Unreserved Designated for:				
Undesignated	(15,327.22)	90,087,288.79	50,093,879.62	140,165,841.19
Total Fund Balances	(15,327.22)	90,320,374.79	50,093,879.62	140,398,927.19
Total Liabilities and Fund Balances	\$ 42,301.24	\$ 106,075,823.02	\$ 50,361,778.20	\$ 156,479,902.46

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

UNAUDITED

Texas Department of Insurance (454)
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, 2006

	General Revenue	Consolidated Accounts		Total (Ex II)
	General Revenue (0001)	GR Account -Tx Department of Insurance Operating (0036)	GR Account - Subsequent Injury Fund (5101)	
REVENUES				
Taxes		\$ 1,084,801.08	\$ -	\$ 1,084,801.08
Federal Revenue	304,413.24	2,602,538.96		2,906,952.20
Federal Pass-Through Revenue		147,298.88		147,298.88
Licenses, Fees & Permits	5,790.00	35,174,055.28		35,179,845.28
Settlement of Claims		1,010.00		1,010.00
Sales of Goods and Services		27,329.73		27,329.73
Other		2,224,358.65	5,997,478.26	8,221,836.91
Total Revenues	310,203.24	41,261,392.58	5,997,478.26	47,569,074.08
EXPENDITURES				
Salaries and Wages	224,268.20	72,767,624.80		72,991,893.00
Payroll Related Costs	57,223.46	21,111,809.06		21,169,032.52
Professional Fees and Services		4,601,699.02		4,601,699.02
Travel		2,195,363.04		2,195,363.04
Materials and Supplies	26,611.94	2,931,028.42		2,957,640.36
Communication and Utilities		1,676,507.71		1,676,507.71
Repairs and Maintenance		1,595,277.62		1,595,277.62
Rentals & Leases		3,434,881.08		3,434,881.08
Printing and Reproduction		300,262.86		300,262.86
Claims and Judgments		4,619.49	2,629,222.94	2,633,842.43
Other Expenditures	7,810.36	4,533,439.28		4,541,249.64
Capital Outlay		412,572.16		412,572.16
Total Expenditures/Expenses	315,913.96	115,565,084.54	2,629,222.94	118,510,221.44
Excess (Deficiency) of Revenues Over Expenditures	(5,710.72)	(74,303,691.96)	3,368,255.32	(70,941,147.36)
OTHER FINANCING SOURCES (USES)				
Transfers In	26,611.94	155,776,825.36	46,725,624.30	202,529,061.60
Transfers Out	(17,030.66)	(31,782,563.84)		(31,799,594.50)
Sale of Capital Assets	15,137.17			15,137.17
Legislative Transfers Out	(33,929.95)			(33,929.95)
Total Other Financing Sources and Uses	(9,211.50)	123,994,261.52	46,725,624.30	170,710,674.32
Net Change in Fund Balances/Net Assets	(14,922.22)	49,690,569.56	50,093,879.62	99,769,526.96
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances--Beginning	(405.00)	40,629,805.23	-	40,629,400.23
Restatements				-
Fund Balances, September 1, 2005, as Restated	(405.00)	40,629,805.23	-	40,629,400.23
Fund Balances--August 31, 2006	\$ (15,327.22)	\$ 90,320,374.79	\$ 50,093,879.62	\$ 140,398,927.19

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

UNAUDITED

Texas Department of Insurance (454)
Exhibit I-1 - Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds

August 31, 2006

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Totals (Ex VI)
ASSETS				
Cash and Cash Equivalents:				
Cash in Bank	\$ -	\$ -	\$ 224,425.68	\$ 224,425.68
Cash in State Treasury		572,892.86		572,892.86
Cash Equivalents	320,966,892.60		145,445,088.79	466,411,981.39
Short Term Investments				-
Accounts Receivable	46,896.81		20,980.55	67,877.36
Other Assets			88,578,275.84	88,578,275.84
Total Assets	<u>321,013,789.41</u>	<u>572,892.86</u>	<u>234,268,770.86</u>	<u>555,855,453.13</u>
LIABILITIES				
Interfund Payable				-
Funds Held for Others			88,578,275.84	88,578,275.84
Total Liabilities	<u>-</u>	<u>-</u>	<u>88,578,275.84</u>	<u>88,578,275.84</u>
NET ASSETS				
Held in trust for:				
Individuals, Organizations, and				
Other Governments	321,013,789.41	572,892.86	145,690,495.02	467,277,177.29
Total Net Assets	<u>\$ 321,013,789.41</u>	<u>\$ 572,892.86</u>	<u>\$ 145,690,495.02</u>	<u>\$ 467,277,177.29</u>

UNAUDITED

Texas Department of Insurance (454)
Exhibit I-2 - Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds

August 31, 2006

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Total (Ex VII)
ADDITIONS				
Investment Income				
From Investing Activities:				
Interest and Investment Income	\$ 14,149,362.82	\$ 23,736.40	\$ 6,449,525.38	\$ 20,622,624.60
Total Investing Income	14,149,362.82	23,736.40	6,449,525.38	20,622,624.60
Less Investing Activities Expense				-
Net Income from Investing Activities	14,149,362.82	23,736.40	6,449,525.38	20,622,624.60
Total Net Investment Income	14,149,362.82	23,736.40	6,449,525.38	20,622,624.60
Other Additions				
Other Revenue	301,825.00		28,663,704.26	28,965,529.26
Transfers In				-
Total Other Additions	301,825.00	-	28,663,704.26	28,965,529.26
Total Additions	14,451,187.82	23,736.40	35,113,229.64	49,588,153.86
DEDUCTIONS				
Professional Fees and Services				-
Claims & Judgements	35,000,000.00		13,468,265.45	48,468,265.45
Other Expense	62,380.70		3,072,119.31	3,134,500.01
Transfers Out	1,000,000.00	-		1,000,000.00
Total Deductions	36,062,380.70	-	16,540,384.76	52,602,765.46
NET INCREASE (DECREASE)	(21,611,192.88)	23,736.40	18,572,844.88	(3,014,611.60)
Net Assets- September 1, 2005	342,624,982.29	549,156.46	127,117,650.14	470,291,788.89
Restatements				-
Net Assets, September 1, 2005, As Restated	342,624,982.29	549,156.46	127,117,650.14	470,291,788.89
Net Assets - August 31, 2006	\$ 321,013,789.41	\$ 572,892.86	\$ 145,690,495.02	\$ 467,277,177.29

UNAUDITED

**Texas Department of Insurance (454)
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -
Agency Funds**

August 31, 2006

	Beginning Balance September 1, 2005	Additions	Deductions	Ending Balance August 31, 2006
UNAPPROPRIATED RECEIPTS				
<u>General Revenue Fund (0001) U/F (0003)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 7,330,495.50	\$ 7,330,495.50	\$ -
Accounts Receivable, Net	-	1,436,669.86	428,484.89	1,008,184.97
Total Assets	\$ -	\$ 8,767,165.36	\$ 7,758,980.39	\$ 1,008,184.97
LIABILITIES				
Due to other Agencies	\$ -	1,008,184.97	-	\$ 1,008,184.97
Funds Held for Others	-	7,330,495.50	7,330,495.50	-
Total Liabilities	\$ -	\$ 8,338,680.47	\$ 7,330,495.50	\$ 1,008,184.97
<u>City, Cty, Mta & Spd (0882) U/F (0882)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 447.42	\$ 447.42	\$ -
Total Assets	\$ -	\$ 447.42	\$ 447.42	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 447.42	\$ 447.42	\$ -
Total Liabilities	\$ -	\$ 447.42	\$ 447.42	\$ -
<u>Tx Worker's Comp Self Insurance Fund (0893) U/F (0893)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 16,928,315.48	\$ 1,050,280.14	\$ 15,878,035.34
Total Assets	\$ -	\$ 16,928,315.48	\$ 1,050,280.14	\$ 15,878,035.34
LIABILITIES				
Funds Held for Others	\$ -	16,928,315.48	1,050,280.14	\$ 15,878,035.34
Total Liabilities	\$ -	\$ 16,928,315.48	\$ 1,050,280.14	\$ 15,878,035.34
<u>Departmental Suspense (0900) U/F (0900)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 4,771,953.77	\$ 4,771,953.77	\$ -
Total Assets	\$ -	\$ 4,771,953.77	\$ 4,771,953.77	\$ -
LIABILITIES				
Funds Held for Others	\$ -	4,771,953.77	4,771,953.77	\$ -
Total Liabilities	\$ -	\$ 4,771,953.77	\$ 4,771,953.77	\$ -
<u>US Savings Bond Account (0901) U/F (0901)</u>				
ASSETS				
Cash in State Treasury	\$ 2,775.00	\$ 63,861.67	\$ 61,566.67	\$ 5,070.00
Total Assets	\$ 2,775.00	\$ 63,861.67	\$ 61,566.67	\$ 5,070.00
LIABILITIES				
Funds Held for Others	2,775.00	63,861.67	61,566.67	5,070.00
Total Liabilities	\$ 2,775.00	\$ 63,861.67	\$ 61,566.67	\$ 5,070.00
<u>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</u>				

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

UNAUDITED

**Texas Department of Insurance (454)
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -
Agency Funds**

August 31, 2006

	Beginning Balance September 1, 2005	Additions	Deductions	Ending Balance August 31, 2006
ASSETS				
Cash in State Treasury	\$ 107,088.00	\$ 147,088.00	\$ 109,588.00	\$ 144,588.00
Other Assets	799,226,830.72	823,654,395.49	799,226,830.72	823,654,395.49
Total Assets	\$ 799,333,918.72	\$ 823,801,483.49	\$ 799,336,418.72	\$ 823,798,983.49
LIABILITIES				
Funds Held for Others	799,333,918.72	823,801,483.49	799,336,418.72	823,798,983.49
Total Liabilities	\$ 799,333,918.72	\$ 823,801,483.49	\$ 799,336,418.72	\$ 823,798,983.49
TEXASAVER HOLD-TRANSMIT 401K FUND (0942) U/F (0942)				
ASSETS				
Cash in State Treasury	\$ -	\$ 2,421,826.92	\$ 2,421,826.92	\$ -
Accounts Receivable, Net	-	2,521,980.99	2,521,980.99	-
Total Assets	\$ -	\$ 4,943,807.91	\$ 4,943,807.91	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 4,943,807.91	\$ 4,943,807.91	\$ -
Total Liabilities	\$ -	\$ 4,943,807.91	\$ 4,943,807.91	\$ -
Direct Deposit Correction Fund (0980) U/F (0980)				
ASSETS				
Cash in State Treasury	\$ -	\$ 10,760.39	\$ 10,760.39	\$ -
Total Assets	\$ -	\$ 10,760.39	\$ 10,760.39	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 10,760.39	\$ 10,760.39	\$ -
Total Liabilities	\$ -	\$ 10,760.39	\$ 10,760.39	\$ -
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 109,863.00	\$ 31,674,749.15	\$ 15,756,918.81	\$ 16,027,693.34
Accounts Receivable, Net	-	3,958,650.85	2,950,465.88	1,008,184.97
Other Assets	799,226,830.72	823,654,395.49	799,226,830.72	823,654,395.49
Total Assets	\$ 799,336,693.72	\$ 859,287,795.49	\$ 817,934,215.41	\$ 840,690,273.80
LIABILITIES				
Due to Other Agencies	\$ -	\$ 1,008,184.97	-	1,008,184.97
Funds Held for Others	799,336,693.72	857,851,125.63	817,505,730.52	839,682,088.83
Total Liabilities	\$ 799,336,693.72	\$ 858,859,310.60	\$ 817,505,730.52	\$ 840,690,273.80

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

UNAUDITED

Texas Department of Insurance (454)
Exhibit L-1 - Combining Statement of Net Assets
Discretely Presented Proprietary Component Units

August 31, 2006

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Risk Pool (4152) U/F (0393)	Totals (Ex III)
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank	\$ 236,033.00	\$ 484,695.00	\$ 121,285.00	\$ 842,013.00
Cash Equivalents	8,020,669.00		9,361,197.00	17,381,866.00
Short Term Investments			55,381,250.00	55,381,250.00
Receivables from:				
Interest and Dividends				-
Accounts Receivable	357,695.00		1,139,155.00	1,496,850.00
Other	116,182.00	6,248,672.00		6,364,854.00
Total Current Assets	8,730,579.00	6,733,367.00	66,002,887.00	81,466,833.00
Non-Current Assets:				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment	3,261,149.00		33,099.00	3,294,248.00
Less Accumulated Depreciation	(2,329,356.00)		(20,272.00)	(2,349,628.00)
Other Non-Current Assets	18,705.00		5,223.00	23,928.00
Total Non-Current Assets	950,498.00	-	18,050.00	968,548.00
Total Assets	9,681,077.00	6,733,367.00	66,020,937.00	82,435,381.00
LIABILITIES				
Current Liabilities:				
Payables from:				
Accounts	24,818.00	23,632.00	1,311,777.00	1,360,227.00
Deferred Revenue			22,455,669.00	22,455,669.00
Other Liabilities	212,856.00	6,709,735.00	20,363,491.00	27,286,082.00
Notes and Loans Payable				-
Total Current Liabilities	237,674.00	6,733,367.00	44,130,937.00	51,101,978.00
Non-Current Liabilities:				
Other Liabilities (Note 5)			21,890,000.00	21,890,000.00
Total Non-Current Liabilities	-	-	21,890,000.00	21,890,000.00
Total Liabilities	237,674.00	6,733,367.00	66,020,937.00	72,991,978.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	931,793.00			931,793.00
Unrestricted	8,511,610.00	-		8,511,610.00
Total Net Assets	\$ 9,443,403.00	\$ -	\$ -	\$ 9,443,403.00

Note A - These Component Units have a fiscal year end of December 31, 2005. Financial information is as of that date.

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

UNAUDITED

Texas Department of Insurance (454)
Exhibit L-2 - Combining Statement of Revenues, Expenses, and
Changes in Net Assets –
Discretely Presented Proprietary Component Units

For the Fiscal Year Ended August 31, 2006

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Risk Pool (4152) U/F (0393)	Totals (Ex IV)
OPERATING REVENUES:				
Sales of Goods and Services:				
Other Sales of Goods and Services	\$ 3,088,455.00	\$ -	\$ -	\$ 3,088,455.00
Premium Revenue		642,168.00	161,596,890.00	162,239,058.00
Interest and Investment Income	180,679.00	14,689.00	2,196,691.00	2,392,059.00
Other Operating Revenues	1,734.00	3,111,310.00	86,844,497.00	89,957,541.00
Total Operating Revenues	<u>3,270,868.00</u>	<u>3,768,167.00</u>	<u>250,638,078.00</u>	<u>257,677,113.00</u>
OPERATING EXPENSES:				
Salaries and Wages	1,087,501.00		272,864.00	1,360,365.00
Payroll Related Costs	379,306.00			379,306.00
Professional Fees and Services	331,464.00		15,647,018.00	15,978,482.00
Travel	106,180.00		1,235.00	107,415.00
Materials and Supplies	91,109.00		23,581.00	114,690.00
Communication and Utilities	38,209.00			38,209.00
Repairs and Maintenance	42,143.00			42,143.00
Rentals and Leases	197,929.00		62,860.00	260,789.00
Printing and Reproduction	21,224.00			21,224.00
Depreciation and Amortization	550,050.00		4,960.00	555,010.00
Other Operating Expenses	145,492.00	3,768,167.00	234,625,560.00	238,539,219.00
Total Operating Expenses	<u>2,990,607.00</u>	<u>3,768,167.00</u>	<u>250,638,078.00</u>	<u>257,396,852.00</u>
Operating Income (Loss)	<u>280,261.00</u>	<u>-</u>	<u>-</u>	<u>280,261.00</u>
Change in Net Assets	<u>280,261.00</u>	<u>-</u>	<u>-</u>	<u>280,261.00</u>
Total Net Assets, September 1, 2005	9,163,142.00			9,163,142.00
Restatements				-
Total Net Assets, September 1, 2005, as Restated	<u>9,163,142.00</u>	<u>-</u>	<u>-</u>	<u>9,163,142.00</u>
Total Net Assets, August 31, 2006	<u>\$ 9,443,403.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,443,403.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2005. Financial information is as of that date.

UNAUDITED

Texas Department of Insurance (454)
Schedule 1A - Schedule Of Expenditures Of Federal Awards

For the fiscal year ended August 31, 2006

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Pass-Through From			Non-State Entities Amount	Direct Program Amount
		Identifying Number	Agy./ Univ. #	Agencies or Univ. Amount		
U.S. Department of Labor						
Direct Program:						
Compensation and Working Conditions	17.005			\$ -	\$ -	\$258,632.21
Consultation Agreements	17.504					2,532,411.52
Total U.S. Department of Labor				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,791,043.73</u>
U.S. Dept of Health and Human Svcs						
Direct Program:						
State Planning Grant	93.256	4 P09 OA 00030- 01-05		\$ -	\$ -	\$ 115,908.47
Pass-Through From:						
Department of Aging and Disability Services						
Centers for Medicare and Medicaid Services (CMS)						
Research, Demonstrations and Evaluations	93.779		539	94,900.00		
Total U.S. Dept. of Health and Human Svcs				<u>\$ 94,900.00</u>	<u>\$ -</u>	<u>\$ 115,908.47</u>
Dept of Homeland Security						
Pass-Through From:						
Department of Public Safety	97.036		405	\$ 52,398.88	\$ -	\$ -
Total Dept. of Homeland Security				<u>\$ 52,398.88</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 147,298.88</u>	<u>\$ -</u>	<u>\$ 2,906,952.20</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		
\$258,632.21		\$ -	\$ -	\$258,632.21	\$258,632.21
<u>2,532,411.52</u>				<u>2,532,411.52</u>	<u>2,532,411.52</u>
<u>\$2,791,043.73</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$2,791,043.73</u>	<u>\$2,791,043.73</u>
\$ 115,908.47		\$ -	\$ -	\$ 115,908.47	\$ 115,908.47
94,900.00		-	-	94,900.00	94,900.00
<u>\$ 210,808.47</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,808.47</u>	<u>\$ 210,808.47</u>
\$ 52,398.88		\$ -	\$ -	\$ 52,398.88	\$ 52,398.88
<u>\$ 52,398.88</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,398.88</u>	<u>\$ 52,398.88</u>
<u>\$ 3,054,251.08</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,054,251.08</u>	<u>\$ 3,054,251.08</u>

Note 2 - 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/Statement of Activities - Governmental Fund Types (Exh. II):

Federal Revenue	\$ 2,906,952.20
Federal Grant Pass-Through Revenue	<u>147,298.88</u>
 Total Pass-Through and Expenditures per Federal Schedule	 <u>\$ 3,054,251.08</u>

UNAUDITED

Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2006

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Total
COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE				
GENERAL FUNDS				
TAXES				
Fund 0036 - Taxes - Certified Self-Insurers	\$ 1,084,801.08	\$ -	\$ -	\$ 1,084,801.08
TOTAL TAXES	<u>1,084,801.08</u>	<u>0.00</u>	<u>0.00</u>	<u>1,084,801.08</u>
FEDERAL FUNDS				
U.S. Department of Labor	2,581,937.19	304,006.54	-	2,885,943.73
U.S. Department of Health & Human Services	115,501.77	406.70	-	115,908.47
From Department of Homeland Security	52,398.88	-	-	52,398.88
TOTAL FEDERAL FUNDS	<u>2,749,837.84</u>	<u>304,413.24</u>	<u>0.00</u>	<u>3,054,251.08</u>
LICENSES, FEES AND PERMITS				
Catastrophic Pool Inspection Fees	7,780.00	-	-	7,780.00
License Fee - Title Insurance Companies	272,035.50	-	-	272,035.50
Filing Fees - Life	310,888.30	-	-	310,888.30
Filing Fees - Property and Casualty	263,762.50	-	-	263,762.50
Filing Fees - Workers' Compensation	140,000.00	-	-	140,000.00
Fees - Certified Self-Insurers	754,525.64	-	-	754,525.64
License Fees - Insurance Adjusters and Agents	13,483,425.59	5,790.00	-	13,489,215.59
Agents Certification and Clearance Letters	647,914.46	-	-	647,914.46
Filing Fees - Third Party Administrators	97,127.52	-	-	97,127.52
Filing Fees - Risk Retention & Purchasing Groups	15,675.00	-	-	15,675.00
Examination Fees - Salaries and Travel Expense	2,772,935.74	-	-	2,772,935.74
Examination Fees - Overhead Assessment	11,146,632.89	-	-	11,146,632.89
Filing Fees - Policy Approval	429,100.00	-	-	429,100.00
Filing Fees - Health Maintenance Organizations	99,822.00	-	-	99,822.00
Filing Fees - Insurance Premium Finance	70,935.00	-	-	70,935.00
Examination and Assessment Fees - Insurance Premium Fi	148,179.78	-	-	148,179.78
Amusement Ride Safety Inspections	58,760.00	-	-	58,760.00
State Fire Marshal Fees	2,151,269.50	-	-	2,151,269.50
Workers' Compensation Penalties	1,542,916.71	-	-	1,542,916.71
Miscellaneous Certification Fees	7,812.70	-	-	7,812.70
Administrative Fees	752,556.45	-	-	752,556.45
TOTAL LICENSES, FEES, AND PERMITS	<u>35,174,055.28</u>	<u>5,790.00</u>	<u>0.00</u>	<u>35,179,845.28</u>
SETTLEMENT OF CLAIMS				
Judgements/Settlements	1,010.00	-	-	1,010.00
TOTAL SETTLEMENT OF CLAIMS	<u>1,010.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,010.00</u>
SALES OF GOODS AND SERVICES				
Sale of Lists, Bulletins, Rating Data, etc.	27,329.73	-	-	27,329.73
TOTAL SALES OF GOODS AND SERVICES	<u>27,329.73</u>	<u>0.00</u>	<u>0.00</u>	<u>27,329.73</u>
OTHER REVENUES				

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

UNAUDITED

Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2006

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Total
Warrants Voided By Statute of Limitations	14,717.81	-	-	14,717.81
Reimbursements - Third Party	1,985,908.14	-	-	1,985,908.14
Reimbursement of Conservation Expenses	214,630.13	-	-	214,630.13
Other Miscellaneous Governmental Revenue	3,102.57	-	-	3,102.57
NASFM Grant	6,000.00	-	-	6,000.00
Workers' Compensation Insurance Benefits to State	0.00	-	5,997,478.26	5,997,478.26
TOTAL OTHER REVENUES	<u>2,224,358.65</u>	<u>0.00</u>	<u>5,997,478.26</u>	<u>8,221,836.91</u>
TOTAL GENERAL FUNDS COLLECTIONS	<u>41,261,392.58</u>	<u>310,203.24</u>	<u>5,997,478.26</u>	<u>47,569,074.08</u>
AGENCY FUNDS COLLECTIONS				
State Sales Tax/Discounts	\$ -	\$ 1,381.43	\$ -	\$ 1,381.43
Viatical Settlement Registration Fees		57,650.00		57,650.00
Utilization Review Fees/ Independent Review Organization		85,890.00		85,890.00
Filing Fees - Continuing Care Facilities		36,462.00		36,462.00
Returned Check Fees		1,110.00		1,110.00
Retaliatory Fees		480.00		480.00
Interest on Local Deposits		23.76		23.76
Judgments (Secured by Court Action)		30,708.56		30,708.56
Penalty In Lieu of Suspension/Cancellation		5,864,481.57		5,864,481.57
Other Miscellaneous Governmental Revenue		2,012.76		2,012.76
SFMO-Fireworks, Educ Safety		62,262.50		62,262.50
License Fees - Insurance Adjusters and Agents		187,714.00		187,714.00
Continuing Education Provider Fees		213,201.68		213,201.68
TOTAL AGENCY FUNDS COLLECTIONS	<u>0.00</u>	<u>6,543,378.26</u>	<u>0.00</u>	<u>6,543,378.26</u>
TOTAL COLLECTIONS TEXAS DEPARTMENT OF INSURANCE	<u>41,261,392.58</u>	<u>6,853,581.50</u>	<u>5,997,478.26</u>	<u>54,112,452.34</u>
TRANSFERS IN				
From Comptroller of Public Accounts:				
Motor Vehicle Maintenance Tax	\$ 8,429,816.70			8,429,816.70
Fire and Allied Lines Maintenance Tax	22,655,798.20			22,655,798.20
Workers' Compensation Maintenance Tax	2,373,189.57			2,373,189.57
Casualty Maintenance Tax	5,416,757.95			5,416,757.95
Title Maintenance Fee	1,551,862.03			1,551,862.03
Life/Accident and Health Maintenance Tax	10,216,985.47			10,216,985.47
Third Party Administrator Maintenance Tax	839,530.47			839,530.47
Health Maintenance Organization Maintenance Tax	4,152,156.86			4,152,156.86
Prepaid Legal Services Maintenance Tax	1,305.18			1,305.18
Domestic Valuation Fees - Life	8,469,595.81			8,469,595.81
Annual Statement Filing Fees	220,685.58			220,685.58
Division of Workers' Compensation Maintenance Tax	48,799,605.37			48,799,605.37
TOTAL REVENUES TRANSFERRED FROM COMPTROLLER OF PUBLIC ACCOUNTS	<u>113,127,289.19</u>	<u>0.00</u>	<u>0.00</u>	<u>113,127,289.19</u>

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

UNAUDITED

Texas Department of Insurance (454)
Schedule 6 - Summary of Revenues/Transfers In - State Treasury

For the fiscal year ended August 31, 2006

	<u>Insurance Operating Account (0036)</u>	<u>General Revenue Fund (0001)</u>	<u>Subsequent Injury Fund (5101)</u>	<u>Total</u>
From Other Sources:				
Transfer In From Texas Workers' Compensation Commission - 79th Leg., House Bill 7	41,381,536.17		46,725,624.30	88,107,160.47
From Catastrophe Reserve Trust Fund	1,000,000.00			1,000,000.00
Fund 0001 - From Sale of Fixed Assets		15,137.17		15,137.17
From Commission on Fire Protection	268,000.00			268,000.00
TOTAL REVENUES FROM TRANSFERS IN	<u>42,649,536.17</u>	<u>15,137.17</u>	<u>46,725,624.30</u>	<u>89,390,297.64</u>
TOTAL TRANSFERS IN	<u>155,776,825.36</u>	<u>15,137.17</u>	<u>46,725,624.30</u>	<u>202,517,586.83</u>
TOTAL REVENUES/TRANSFERS IN	<u>\$ 197,038,217.94</u>	<u>\$ 6,868,718.67</u>	<u>\$ 52,723,102.56</u>	<u>\$ 256,630,039.17</u>

UNAUDITED

Texas Department of Insurance (454)
Schedule 6A
Comparative Statement of Revenues

1997 - 2006

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES & FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
1997	65,420,868.86	22,144,589.76	6,484,140.23	94,049,598.85
1998	43,324,253.00	27,631,504.00	4,362,698.70	75,318,455.70
1999	43,473,181.00	25,142,085.00	5,539,619.00	74,154,885.00
2000	42,208,839.00	29,316,267.00	3,032,322.00	74,557,428.00
2001	45,486,357.00	32,350,259.00	4,280,123.00	82,116,739.00
2002	52,686,530.55	32,541,680.92	20,369,383.21	105,597,594.68
2003	55,759,840.69	34,507,376.73	4,056,802.81	94,324,020.23
2004	34,257,607.00	38,820,609.57	10,632,851.92	83,711,068.49
2005	31,636,242.79	35,193,189.82	7,307,232.49	74,136,665.10
2006	105,523,190.31	44,514,896.85	106,591,952.01	256,630,039.17

Note: Revenues collected by and/or transferred to the Texas Department of Insurance and deposited to the State Treasury are included on this schedule.