

# 2004

## Annual Financial Report

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for the Fiscal Year ending August 31, 2004

**Texas Department of Insurance**



**Texas Department of Insurance**

Office of the Commissioner, Mail Code 113-1C  
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**José Montemayor**  
Commissioner of Insurance

November 19, 2004

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

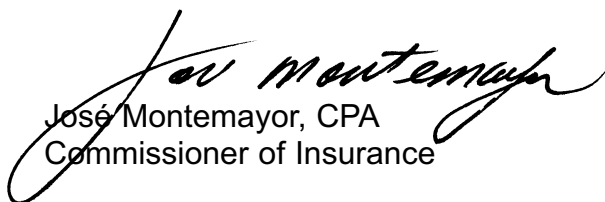
Dear Public Officials:

We are pleased to submit the *Annual Financial Report* of the Texas Department of Insurance for the year ended August 31, 2004, 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,

  
José Montemayor, CPA  
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2004**

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**Texas Department of Insurance (454)**

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

August 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General Funds (Ex A-1)</u>	<u>Special Revenue Funds (9999) U/F(1999)</u>	<u>Governmental Funds Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
On Hand	685.00	\$ -	\$ 685.00
In Bank	25,000.00	71,933.35	96,933.35
In State Treasury	56,901,723.42		56,901,723.42
Cash Equivalents		7,664,964.05	7,664,964.05
Receivables from:			
Federal	38,004.10		38,004.10
Accounts Receivable	533,058.28	48,461.67	581,519.95
Interfund Receivable (Note 8)	-	101,764.00	101,764.00
Due From Other Agencies	60,000.00		60,000.00
Consumable Inventories	73,974.04		73,974.04
Total Current Assets	<u>57,632,444.84</u>	<u>7,887,123.07</u>	<u>65,519,567.91</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>\$ 57,632,444.84</u>	<u>\$ 7,887,123.07</u>	<u>\$ 65,519,567.91</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 1,624,013.22	\$ -	\$ 1,624,013.22
Payroll	4,063,834.30		4,063,834.30
Interfund Payable	-		-
Due To Other Agencies	1,800,914.54		1,800,914.54
Employees Compensable Leave (Note 5)			
Total Current Liabilities	<u>7,488,762.06</u>	<u>-</u>	<u>7,488,762.06</u>
Non-Current Liabilities:			
Employees Compensable Leave (Note 5)			
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,488,762.06</u>	<u>-</u>	<u>7,488,762.06</u>

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

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<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Other Adjustments</u>	<u>Statement of Net Assets</u>
\$ -	\$ -	\$ -	\$ 685.00
			96,933.35
			56,901,723.42
			7,664,964.05
			38,004.10
			581,519.95
			101,764.00
			60,000.00
			73,974.04
-	-	-	<u>65,519,567.91</u>
			95,933.00
95,933.00			95,933.00
3,048,218.51			3,048,218.51
(2,240,655.96)			(2,240,655.96)
961,061.67			961,061.67
(840,376.97)			(840,376.97)
16,070.00			16,070.00
(7,732.42)			(7,732.42)
<u>1,032,517.83</u>	<u>-</u>	<u>-</u>	<u>1,032,517.83</u>
<u>\$ 1,032,517.83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,552,085.74</u>
			1,624,013.22
			4,063,834.30
			1,800,914.54
	2,589,687.51		2,589,687.51
-	<u>2,589,687.51</u>	-	<u>10,078,449.57</u>
	1,563,016.47		1,563,016.47
-	<u>1,563,016.47</u>	-	<u>1,563,016.47</u>
-	<u>4,152,703.98</u>	-	<u>11,641,466.04</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 I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds**

August 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General Funds (Ex A-1)</u>	<u>Special Revenue Funds (9999) U/F(1999)</u>	<u>Governmental Funds Total</u>
<b>FUND FINANCIAL STATEMENT</b>			
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	\$ 481,053.24	\$ -	\$ 481,053.24
Inventories	73,974.04		73,974.04
Imprest	25,685.00		25,685.00
Unreserved Designated for:			
Undesignated	49,562,970.50	7,887,123.07	57,450,093.57
Total Fund Balances	<u>50,143,682.78</u>	<u>7,887,123.07</u>	<u>58,030,805.85</u>
Total Liabilities and Fund Balances	<u>\$ 57,632,444.84</u>	<u>\$ 7,887,123.07</u>	<u>\$ 65,519,567.91</u>

**GOVERNMENT-WIDE STATEMENT-NET ASSETS**

Net Assets:

    Invested in Capital Assets, Net of Related Debt

    Unrestricted

Total Net Assets

**UNAUDITED**

<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Other Adjustments</b>	<b>Statement of Net Assets</b>
			\$ 481,053.24
			73,974.04
			25,685.00
			57,450,093.57
			58,030,805.85
\$ 1,032,517.83	\$ - (4,152,703.98)	\$ -	\$ 1,032,517.83 (4,152,703.98)
\$ 1,032,517.83	\$ (4,152,703.98)	\$ -	\$ 54,910,619.70

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, 2004

	<b>General Funds (Ex A-2)</b>	<b>Special Revenue Funds (9999) U/F(1999)</b>	<b>Governmental Funds Total</b>
<b>REVENUES</b>			
Additional Appropriations (GR)	\$ 93.18	\$ -	\$ 93.18
Federal Revenue (Sch 1A)	126,925.43		126,925.43
Federal Pass-Through Revenue (Sch 1A)	57,878.00		57,878.00
Licenses, Fees & Permits	31,504,893.35		31,504,893.35
Sales of Goods and Services	27,695.10		27,695.10
Interest and Other Investment Income		82,950.83	82,950.83
Other	1,475,499.62	387,189.67	1,862,689.29
<b>Total Revenues</b>	<b>33,192,984.68</b>	<b>470,140.50</b>	<b>33,663,125.18</b>
<b>EXPENDITURES</b>			
Salaries and Wages	40,691,692.49	519,873.77	41,211,566.26
Payroll Related Costs	11,035,505.09		11,035,505.09
Professional Fees and Services	571,219.51	285.00	571,504.51
Travel	1,434,514.32	9,652.76	1,444,167.08
Materials and Supplies	1,381,088.82	611.00	1,381,699.82
Communication and Utilities	1,105,284.59	2,325.90	1,107,610.49
Repairs and Maintenance	821,286.76		821,286.76
Rentals & Leases	443,636.17	3,685.05	447,321.22
Printing and Reproduction	258,063.23		258,063.23
Claims and Judgments	4,438.17		4,438.17
Other Expenditures	3,170,000.77	10,420.08	3,180,420.85
Capital Outlay	239,120.94		239,120.94
Depreciation Expense			-
<b>Total Expenditures/Expenses</b>	<b>61,155,850.86</b>	<b>546,853.56</b>	<b>61,702,704.42</b>
Excess (Deficiency) of Revenues Over Expenditures	(27,962,866.18)	(76,713.06)	(28,039,579.24)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	44,512,523.39	101,764.00	44,614,287.39
Transfers Out	(18,880,875.99)	(101,764.00)	(18,982,639.99)
Sale of Capital Assets	5,062.50		5,062.50
Legislative Transfers Out (Note 8)	53,496.89		53,496.89
Net Change in Reserve for Inventories			
Gain (Loss) on Sale of Capital Assets			-
Increase/Decrease in Net Assets Due to Interagency Transfer of Capital Assets			
<b>Total Other Financing Sources and Uses</b>	<b>25,690,206.79</b>	<b>-</b>	<b>25,690,206.79</b>
Net Change in Fund Balances/Net Assets	(2,272,659.39)	(76,713.06)	(2,349,372.45)
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>			
Fund Balances--Beginning	\$ 52,416,342.17	\$ 7,963,836.13	\$ 60,380,178.30
Restatements	-		-
Fund Balances, September 1, 2003, as Restated	52,416,342.17	7,963,836.13	60,380,178.30
<b>Fund Balances--August 31, 2004</b>	<b>\$ 50,143,682.78</b>	<b>\$ 7,887,123.07</b>	<b>\$ 58,030,805.85</b>

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
\$ -	\$ -	\$ -	\$ 93.18
			126,925.43
			57,878.00
			31,504,893.35
			27,695.10
			82,950.83
			1,862,689.29
-	-	-	33,663,125.18
			41,195,871.43
	(15,694.83)		11,035,505.09
			571,504.51
			1,444,167.08
(4,583.00)			1,377,116.82
			1,107,610.49
			821,286.76
			447,321.22
			258,063.23
			4,438.17
			3,180,420.85
(239,120.94)			-
487,272.35			487,272.35
243,568.41	(15,694.83)	-	61,930,578.00
(243,568.41)	15,694.83	-	(28,267,452.82)
			44,614,287.39
			(18,982,639.99)
(5,062.50)			-
			53,496.89
			-
(21,722.53)			(21,722.53)
4,329.20			4,329.20
(22,455.83)	-	-	25,667,750.96
			(2,599,701.86)
			\$ 60,380,178.30
			-
			60,380,178.30
			\$ 57,780,476.44

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, 2004

	<b>General Funds (Ex A-2)</b>	<b>Special Revenue Funds (9999) U/F(1999)</b>	<b>Governmental Funds Total</b>
<b>GOVERNMENT-WIDE STATEMENT-NET ASSETS</b>			
Net Assets/Change in Net Assets			<u>\$ 58,030,805.85</u>
Net Assets-Beginning			
Restatements			
Net Assets, September 1, 2003, as Restated			
Net Assets-August 31, 2004			<u>\$ 58,030,805.85</u>

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ (266,024.24)	\$ 15,694.83	\$ -	\$ 57,780,476.44
\$ 1,312,742.07	\$ (4,168,398.81)	\$ -	(2,855,656.74)
(14,200.00)			(14,200.00)
1,298,542.07	(4,168,398.81)	-	(2,869,856.74)
\$ 1,032,517.83	\$ (4,152,703.98)	\$ -	\$ 54,910,619.70

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

**UNAUDITED**

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

August 31, 2004

	<b>Total Proprietary Component Units (Exhibit L-1)</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ (7,258,997.00)
Cash Equivalents (Note 3)	11,338,208.00
Short Term Investments (Note 3)	35,231,550.00
Receivables from:	
Interest and Dividends	-
Accounts Receivable	1,801,198.00
Other	8,307,648.00
Total Current Assets	49,419,607.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	3,416,533.00
Less Accumulated Depreciation	(1,440,315.00)
Other Non-Current Assets	23,928.00
Total Non-Current Assets	2,000,146.00
Total Assets	51,419,753.00
<b>LIABILITIES</b>	
Current Liabilities:	
Payables from:	
Accounts	1,385,959.00
Deferred Revenue	9,234,823.00
Other Liabilities	11,635,084.00
Notes and Loans Payable	-
Total Current Liabilities	22,255,866.00
Non-Current Liabilities:	
Other Liabilities	20,400,000.00
Total Non-Current Liabilities	20,400,000.00
Total Liabilities	42,655,866.00
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,967,063.00
Unrestricted	6,796,824.00
<b>Total Net Assets</b>	<b>\$ 8,763,887.00</b>

Note A - These Component Units have a fiscal year end of December 31, 2003. 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, 2004

	<b>Total Proprietary Component Units (Exhibit L-2)</b>
<b>OPERATING REVENUES:</b>	
Sales of Goods and Services:	
Other Sales of Goods and Services	\$ 4,210,671.00
Premium Revenue	124,970,562.00
Interest and Investment Income	517,937.00
Other Operating Revenues	<u>78,525,575.00</u>
Total Operating Revenues	<u>208,224,745.00</u>
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	1,372,729.00
Payroll Related Costs	390,560.00
Professional Fees and Services	14,124,367.00
Travel	4,794.00
Materials and Supplies	164,466.00
Communication and Utilities	43,663.00
Repairs and Maintenance	19,629.00
Rentals and Leases	252,362.00
Printing and Reproduction	10,262.00
Depreciation and Amortization	445,528.00
Other Operating Expenses	<u>189,936,714.00</u>
Total Operating Expenses	<u>206,765,074.00</u>
Operating Income (Loss)	<u>1,459,671.00</u>
Change in Net Assets	<u>1,459,671.00</u>
Total Net Assets, September 1, 2003	7,304,216.00
Restatements	-
Total Net Assets, September 1, 2003, as Restated	<u>7,304,216.00</u>
Total Net Assets, August 31, 2004	<u><u>\$ 8,763,887.00</u></u>

Note A - These Component Units have a fiscal year end of December 31, 2003. 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, 2004

	<b>Private- Purpose Trust Funds</b> (Exhibit I-1)	<b>Agency Funds</b> (Exhibit J-1)	<b>Totals</b>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 115,342.39	\$ -	\$ 115,342.39
Cash in State Treasury	555,507.99	217,683.93	773,191.92
Cash Equivalents	382,197,032.86		382,197,032.86
Short Term Investments (Note 3)	34,914,996.48		34,914,996.48
Accounts Receivable	87,358.56		87,358.56
Other Assets	91,417,275.84	839,360,884.91	930,778,160.75
Total Assets	<u>509,287,514.12</u>	<u>839,578,568.84</u>	<u>1,348,866,082.96</u>
<b>LIABILITIES</b>			
Interfund Payable (Note 8)	101,764.00		101,764.00
Funds Held for Others	91,417,275.84	839,578,568.84	930,995,844.68
Total Liabilities	<u>91,519,039.84</u>	<u>839,578,568.84</u>	<u>931,097,608.68</u>
<b>NET ASSETS</b>			
Held in trust for:			
Individuals, Organizations, and Other Governments	417,768,474.28		417,768,474.28
Total Net Assets	<u>\$ 417,768,474.28</u>	<u>\$ -</u>	<u>\$ 417,768,474.28</u>

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

August 31, 2004

	Private- Purpose Trust (Exhibit I-2)	Totals
<b>ADDITIONS</b>		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 4,536,953.94	\$ 4,536,953.94
Total Investing Income	4,536,953.94	4,536,953.94
Less Investing Activities Expense	-	-
Net Income from Investing Activities	4,536,953.94	4,536,953.94
 Total Net Investment Income	 4,536,953.94	 4,536,953.94
 Other Additions		
Other Revenue	18,368,125.73	18,368,125.73
Transfers In	112,302.36	112,302.36
Total Other Additions	18,480,428.09	18,480,428.09
 Total Additions	 23,017,382.03	 23,017,382.03
<b>DEDUCTIONS</b>		
Professional Fees and Services	5,289,475.94	5,289,475.94
Settlement of Claims	21,839,445.58	21,839,445.58
Other Expense	108,934.61	108,934.61
Transfers Out	1,112,302.36	1,112,302.36
Total Deductions	28,350,158.49	28,350,158.49
 <b>NET INCREASE (DECREASE)</b>	 <b>(5,332,776.46)</b>	 <b>(5,332,776.46)</b>
 Net Assets- September 1, 2003	422,543,328.23	422,543,328.23
Restatements	557,922.51	557,922.51
Net Assets, September 1, 2003 As Restated	423,101,250.74	423,101,250.74
 Net Assets - August 31, 2004	 \$ 417,768,474.28	 \$ 417,768,474.28

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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 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." 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 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 have been 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.

## UNAUDITED

### 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. "Inexhaustible" assets such as a library are not depreciated. 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. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

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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.

##### 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**

A summary of changes in Capital Assets for the year ended August 31, 2004 is presented below:

Asset Type	Balance 9/1/03	Adjust- ments	PRIMARY GOVERNMENT			Additions	Deletions	Balance 8/31/04
			Comple- -ed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
Governmental activities:								
Non-depreciable Assets								
Other Capital Assets	\$ 91,350.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,583.00	\$ 0.00	\$ 95,933.00
Total non-depreciable assets	91,135.00	0.00	0.00	0.00	0.00	4,583.00	0.00	95,933.00
Depreciable Assets								
Furniture and Equipment	3,656,272.92	0.00	0.00	22,847.79	0.00	210,488.94	(841,391.14)	3,048,218.51
Vehicles	958,285.67	(14,200.00)	0.00	0.00	0.00	28,632.00	(11,656.00)	961,061.67
Other Capital Assets	16,070.00	0.00	0.00	0.00	0.00	0.00	0.00	16,070.00
Total depreciable assets at historical costs	4,630,628.59	(14,200.00)	0.00	22,847.79	0.00	239,120.94	(853,047.14)	4,025,350.18
Less accumulated depreciation for:								
Furniture and Equipment	(2,594,401.80)	0.00	0.00	(18,518.59)	0.00	(442,341.68)	814,606.11	(2,240,655.96)
Vehicles	(809,397.90)	0.00	0.00	0.00	0.00	(42,635.07)	11,656.00	(840,376.97)
Other Capital Assets	(5,436.82)	0.00	0.00	0.00	0.00	(2,295.60)	0.00	(7,732.42)
Total accumulated depreciation	(3,409,236.52)	0.00	0.00	(18,518.59)	0.00	(487,272.35)	826,262.11	(3,088,765.35)
Depreciable assets, net	1,221,392.07	(14,200.00)	0.00	4,329.20	0.00	(248,151.41)	(26,785.03)	936,584.83
Governmental activities capital assets, net	\$ 1,312,742.07	\$ (14,200.00)	\$ 0.00	\$ 4,329.20	\$ 0.00	\$ (243,568.41)	\$ (26,785.03)	\$ 1,032,517.83

**DISCRETELY PRESENTED COMPONENT UNITS**

Asset Type	Balance	Adjust- -ments	Comple- -ed CIP	Inc-Int'agy \$ Trans	Dec-Int'agy \$ Trans	\$ Additions	\$ Deletions	Balance
	\$ 9/1/03							\$ 8/31/04
Proprietary activities:								
Depreciable Assets								
Furniture and Equipment	2,836,470.00	7.00	0.00	0.00	0.00	581,606.00	(1,550.00)	3,416,533.00
Total depreciable assets at historical costs	2,836,470.00	7.00	0.00	0.00	0.00	581,606.00	(1,550.00)	3,416,533.00
Less accumulated depreciation for:								
Furniture and Equipment	(994,780.00)	(7.00)	0.00	0.00	0.00	(445,528.00)	0.00	(1,440,315.00)
Total accumulated depreciation	(994,780.00)	(7.00)	0.00	0.00	0.00	(445,528.00)	0.00	(1,440,315.00)
Depreciable assets, net	1,841,690.00	0.00	0.00	0.00	0.00	136,078.00	(1,550.00)	1,976,218.00
Business-Type activities capital assets, net	\$ 1,841,690.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 136,078.00	\$ (1,550.00)	\$ 1,976,218.00

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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**

- a. The carrying amount of (\$7,046,721.26) for Cash in Bank (including discretely presented component units) is presented below. The negative balance for Cash in Bank is the result of a banking arrangement for one of the discretely presented component units. Balances in Cash Equivalents and Short Term Investments are ample to cover the shortfall.
- 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 (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

Category 1	Category 2	Category 3	Bank Balance
\$ 212,275.74	\$ 0.00	\$ 0.00	\$ 212,275.74

Carrying Amount		
Governmental Funds (Ex 1):		
Current Demand Deposits	\$	96,933.26
Texas Treasury Safekeeping Trust		.09
Fiduciary Funds (Ex VI):		
Current Demand Deposits		115,342.38
Texas Treasury Safekeeping Trust		0.01
Total Cash in Bank per GL Account	\$	212,275.74
Total Deposits Carrying Amount	\$	212,275.74

Deposits for Discretely Presented Component Units are:

Category 1	Category 2	Category 3	Bank Balance
(\$ 7,258,997.00)	\$ 0.00	\$ 0.00	(\$ 7,258,997.00)

Total Proprietary Funds Current Demand Deposits (Ex III) (\$ 7,258,997.00)

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**TEXAS DEPARTMENT OF INSURANCE (454)**

**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
U.S. Gov't Investments	\$ 34,914,996.48	\$	\$	\$ 34,914,996.48
Repurchase Agreements-Texas Treasury Safekeeping Trust	388,963,378.95			388,963,378.95
Money Market	898,617.96			898,617.96
<b>Total Investments</b>	<b>\$ 424,776,993.39</b>	<b>\$</b>	<b>\$</b>	<b>\$ 424,776,993.39</b>
Consisting of the following:				
Governmental Funds (Ex I):				
Current Cash Equivalents	\$ 7,664,964.05	\$	\$	\$ 7,664,964.05
Fiduciary Funds (Ex VI):				
Current Cash Equivalents	382,197,032.86			382,197,032.86
Current Short-Term Investments	34,914,996.48			34,914,996.48
<b>Total Investments per Financial Statements</b>	<b>\$ 424,776,993.39</b>	<b>\$</b>	<b>\$</b>	<b>\$ 424,776,993.39</b>

Investments for Discretely Presented Component Units are:

Type of Security	Category 1	Category 2	Category 3	Fair Value
US Gov't Investments	\$	\$ 35,231,550.00	\$	\$ 35,231,550.00
Repurchase Agreements		5,093,204.00		5,093,204.00
Money Market	6,019,214.00	225,790.00		6,245,004.00
<b>Total Investments</b>	<b>\$ 6,019,214.00</b>	<b>\$ 40,550,544.00</b>	<b>\$</b>	<b>\$ 46,569,758.00</b>
Consisting of the following				
Proprietary Component Units (Ex III):				
Current Cash Equivalents	\$ 6,019,214.00	\$ 5,318,994.00	\$	\$ 11,338,208.00
Current Short-Term Investments		35,231,550.00		35,231,550.00
<b>Total Investments per Financial Statements</b>	<b>\$ 6,019,214.00</b>	<b>\$ 40,550,544.00</b>	<b>\$</b>	<b>\$ 46,569,758.00</b>

**Reverse Repurchase Agreements**

The Texas Treasury Safekeeping Trust Company, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the Trust and the Trust transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the Trust arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

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**TEXAS DEPARTMENT OF INSURANCE (454)**

**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, 2004, the following changes occurred in liabilities.

Governmental Activities	PRIMARY GOVERNMENT			Balance 8/31/04	Amounts Due Within One Year
	Balance 9/1/03	Additions	Reductions		
Compensable Leave	\$ 4,168,398.81	\$ 8,872,913.45	\$ 8,888,608.28	\$ 4,152,703.98	\$ 2,589,687.51
Total Governmental Activities	<u>\$ 4,168,398.81</u>	<u>\$ 8,872,913.45</u>	<u>\$ 8,888,608.28</u>	<u>\$ 4,152,703.98</u>	<u>\$ 2,589,687.51</u>

Proprietary Activities	DISCRETELY PRESENTED COMPONENT UNITS			Balance 8/31/04	Amounts Due Within One Year
	Balance 9/1/03	Additions	Reductions		
Other Liabilities	\$ 16,100,000.00	\$ 4,300,000.00	\$ 0.00	\$ 20,400,000.00	\$ 0.00
Total Proprietary Activities	<u>\$ 16,100,000.00</u>	<u>\$ 4,300,000.00</u>	<u>\$ 0.00</u>	<u>\$ 20,400,000.00</u>	<u>\$ 0.00</u>

**Employees' Compensable Leave**

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

**Other Liabilities**

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

**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, 2004	
2005	\$ 132,652.39
2006	58,064.16
2007	47,292.96
2008	0.00
2009	0.00
2010 – 2014	0.00
2015 – 2019	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 238,009.51</u>

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**TEXAS DEPARTMENT OF INSURANCE (454)**

DISCRETELY PRESENTED COMPONENT UNITS		
Year Ended August 31, 2004		
2005	\$	260,942.00
2006		241,765.00
2007		229,355.00
2008		234,789.00
2009		243,118.00
2010 – 2014		243,117.00
2015 – 2019		0.00
Total Minimum Future Lease Rental Payments	\$	1,453,086.00

**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 Interfund Receivables and Payables at August 31, 2004, follow:

	Interfund Receivable	Interfund Payable
GENERAL REVENUE		
Appropriated Fund 0036 U/F 0036 (Ex A-1)	\$ (17,106.80)	\$ (5,788.00)
GENERAL REVENUE		
Appropriated Fund 0036 U/F 0516 (Ex A-1)	17,106.80	5,788.00
SPECIAL REVENUE		
Appropriated Fund 9999 U/F 1999 (Ex I)	101,764.00	
PRIVATE-PURPOSE TRUST		
Appropriated Fund 9999 U/F 2999 (Ex VI)		101,764.00
	\$ 101,764.00	\$ 101,764.00
Total Interfund Receivable/Payable		

Balances and activity for Legislative Transfers In or Legislative Transfers Out at August 31, 2004, follow:

	Legislative Transfers In	Legislative Transfers Out
GENERAL REVENUE		
Appropriated Fund 0001 (Agency 902, Fund 0001)	\$ 0.00	\$ 53,496.89
	\$ 0.00	\$ 53,496.89
Total Legislative Transfers		

**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 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.

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.



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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 10: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished on September 1, 2007, unless continued in existence by the 80<sup>th</sup> Legislature as provided by the Act. If abolished, the Agency may continue until September 1, 2008, to close out its operations.

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 2003 and 2004 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2003	\$ 0.00	\$ 4,329.84	\$ 4,329.84	\$ 0.00
2004	0.00	4,438.17	4,438.17	0.00

NOTE 12: SEGMENT INFORMATION

N/A

NOTE 13: BONDED INDEBTEDNESS

N/A

NOTE 14: SUBSEQUENT EVENTS

N/A

NOTE 15: RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are seven 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.

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 16: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 17: THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

**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 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 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.
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  
2512 South IH 35, Suite 110  
Austin, TX 78704

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

**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

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TEXAS DEPARTMENT OF INSURANCE (454)

**NOTE 18: RESTATEMENTS OF FUND BALANCES/NET ASSETS**

During FY 2004, an adjustment was made which required the restatement of the amounts in fund balances and fund equity as shown below:

	General Revenue	Special Revenue Funds	Agency Funds	Private-Purpose Trust Funds	Total
Fund Balance 8-31-03	\$	\$	\$	\$ 422,543,328.23	\$ 422,543,328.23
Restatement to reclassify to the proper GAAP Fund Type.			(557,922.51)	557,922.51	0.00
Fund Balance 9-1-03, As Restated	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 423,101,250.74</u>	<u>\$ 423,101,250.74</u>

**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**

N/A

**NOTE 23: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

N/A

**NOTE 24: SPECIAL OR EXTRAORDINARY ITEMS**

N/A

**NOTE 25: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

N/A

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

August 31, 2004

	General Revenue		Consolidated Accounts		Total (Ex I)
	General Revenue (0001) U/F (0001)	General Revenue (0001) U/F (0004)	GR Account -Tx Department of Insurance Operating (0036) U/F (0036)	GR Account -Tx Department of Insurance Operating (0036) U/F (0516)	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents					
On Hand	\$ -	\$ -	\$ 685.00	\$ -	\$ 685.00
In Bank			25,000.00		25,000.00
In State Treasury		-	54,808,697.49	2,093,025.93	56,901,723.42
Receivables from:					
Federal			38,004.10		38,004.10
Accounts Receivable			533,058.28		533,058.28
Interfund Receivable (Note 8)			(17,106.80)	17,106.80	-
Due From Other Agencies				60,000.00	60,000.00
Consumable Inventories			73,974.04		73,974.04
Total Current Assets	-	-	55,462,312.11	2,170,132.73	57,632,444.84
Total Assets	\$ -	\$ -	\$ 55,462,312.11	\$ 2,170,132.73	\$ 57,632,444.84
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Current Liabilities:					
Payables from:					
Accounts	\$ -	\$ 264.00	\$ 1,488,728.71	\$ 135,020.51	\$ 1,624,013.22
Payroll			4,051,184.29	12,650.01	4,063,834.30
Interfund Payable (Note 8)			(5,788.00)	5,788.00	-
Due To Other Agencies			1,800,914.54		1,800,914.54
Total Current Liabilities	-	264.00	7,335,039.54	153,458.52	7,488,762.06
Total Liabilities	-	264.00	7,335,039.54	153,458.52	7,488,762.06
<b>FUND FINANCIAL STATEMENT</b>					
Fund Balances (Deficits):					
Reserved for:					
Encumbrances			481,053.24		481,053.24
Inventories			73,974.04		73,974.04
Imprest			25,685.00		25,685.00
Unreserved Designated for:					
Undesignated		(264.00)	47,546,560.29	2,016,674.21	49,562,970.50
Total Fund Balances	-	(264.00)	48,127,272.57	2,016,674.21	50,143,682.78
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 55,462,312.11	\$ 2,170,132.73	\$ 57,632,444.84

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, 2004

	General Revenue		Consolidated Accounts		Total (Ex II)
	General Revenue (0001) U/F (0001)	General Revenue (0004) U/F (0004)	GR Account -Tx Department of Insurance Operating (0036) U/F (0036)	GR Account -Tx Department of Insurance Operating (0036) U/F (0516)	
<b>REVENUES</b>					
Additional Appropriations (GR)	\$ 93.18	\$ -	\$ -	\$ -	\$ 93.18
Federal Revenue		872.18	126,053.25		126,925.43
Federal Pass-Through Revenue			57,878.00		57,878.00
Licenses, Fees & Permits		5,010.00	31,499,883.35		31,504,893.35
Sales of Goods and Services			27,695.10		27,695.10
Other			1,475,499.62		1,475,499.62
<b>Total Revenues</b>	<b>93.18</b>	<b>5,882.18</b>	<b>33,187,009.32</b>	<b>-</b>	<b>33,192,984.68</b>
<b>EXPENDITURES</b>					
Salaries and Wages			40,462,217.57	229,474.92	40,691,692.49
Payroll Related Costs	93.18		10,974,982.74	60,429.17	11,035,505.09
Professional Fees and Services			507,804.51	63,415.00	571,219.51
Travel			1,434,514.32		1,434,514.32
Materials and Supplies			1,380,435.96	652.86	1,381,088.82
Communication and Utilities			1,105,101.22	183.37	1,105,284.59
Repairs and Maintenance			821,285.46	1.30	821,286.76
Rentals & Leases			443,636.17		443,636.17
Printing and Reproduction			257,961.29	101.94	258,063.23
Claims and Judgments			4,438.17		4,438.17
Other Expenditures		5,019.00	3,089,581.77	75,400.00	3,170,000.77
Capital Outlay			239,120.94		239,120.94
<b>Total Expenditures/Expenses</b>	<b>93.18</b>	<b>5,019.00</b>	<b>60,721,080.12</b>	<b>429,658.56</b>	<b>61,155,850.86</b>
Excess (Deficiency) of Revenues Over Expenditures	-	863.18	(27,534,070.80)	(429,658.56)	(27,962,866.18)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In			41,889,986.69	2,622,536.70	44,512,523.39
Transfers Out		(59,431.57)	(18,645,240.49)	(176,203.93)	(18,880,875.99)
Sale of Capital Assets		5,062.50			5,062.50
Legislative Transfers Out		53,496.89			53,496.89
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>(872.18)</b>	<b>23,244,746.20</b>	<b>2,446,332.77</b>	<b>25,690,206.79</b>
Net Change in Fund Balances/Net Assets	-	(9.00)	(4,289,324.60)	2,016,674.21	(2,272,659.39)
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>					
Fund Balances--Beginning		(255.00)	52,416,597.17		52,416,342.17
Restatements					-
Fund Balances, September 1, 2003, as Restated	-	(255.00)	52,416,597.17	-	52,416,342.17
Fund Balances--August 31, 2004	\$ -	\$ (264.00)	\$ 48,127,272.57	\$ 2,016,674.21	\$ 50,143,682.78

UNAUDITED

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

August 31, 2004

	Private-Purpose Catastrophe Reserve Trust Fund (9999) U/F (0050)	Unclaimed Dividend Trust Fund (9999) U/F (0923)	Private-Purpose Estates/Securities in Trust (9999) U/F (2999)	Totals (Ex VI)
<b>ASSETS</b>				
Cash and Cash Equivalents:				
Cash in Bank	\$ -	\$ -	\$ 115,342.39	\$ 115,342.39
Cash in State Treasury		555,507.99		555,507.99
Cash Equivalents	306,823,544.20		75,373,488.66	382,197,032.86
Short Term Investments			34,914,996.48	34,914,996.48
Accounts Receivable			87,358.56	87,358.56
Other Assets			91,417,275.84	91,417,275.84
Total Assets	<u>306,823,544.20</u>	<u>555,507.99</u>	<u>201,908,461.93</u>	<u>509,287,514.12</u>
<b>LIABILITIES</b>				
Interfund Payable			101,764.00	101,764.00
Funds Held for Others			91,417,275.84	91,417,275.84
Total Liabilities	<u>-</u>	<u>-</u>	<u>91,519,039.84</u>	<u>91,519,039.84</u>
<b>NET ASSETS</b>				
Held in trust for:				
Individuals, Organizations, and Other Governments	306,823,544.20	555,507.99	110,389,422.09	417,768,474.28
Total Net Assets	<u>\$ 306,823,544.20</u>	<u>\$ 555,507.99</u>	<u>\$ 110,389,422.09</u>	<u>\$ 417,768,474.28</u>

UNAUDITED

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

August 31, 2004

	Private-Purpose Catastrophe Reserve Trust Fund (9999) U/F (0050)	Unclaimed Dividend Trust Fund (9999) U/F (0923)	Private-Purpose Estates/Securities in Trust (9999) U/F (2999)	Total (Ex VII)
<b>ADDITIONS</b>				
Investment Income				
From Investing Activities:				
Interest and Investment Income	\$ 3,325,653.86	\$ 8,123.84	\$ 1,203,176.24	\$ 4,536,953.94
Total Investing Income	3,325,653.86	8,123.84	1,203,176.24	4,536,953.94
Less Investing Activities Expense				-
Net Income from Investing Activities	3,325,653.86	8,123.84	1,203,176.24	4,536,953.94
 Total Net Investment Income	 3,325,653.86	 8,123.84	 1,203,176.24	 4,536,953.94
 Other Additions				
Other Revenue			18,368,125.73	18,368,125.73
Transfers In	-	-	112,302.36	112,302.36
Total Other Additions	-	-	18,480,428.09	18,480,428.09
 Total Additions	 3,325,653.86	 8,123.84	 19,683,604.33	 23,017,382.03
<b>DEDUCTIONS</b>				
Professional Fees and Services			5,289,475.94	5,289,475.94
Settlement of Claims			21,839,445.58	21,839,445.58
Other Expense	61,405.37		47,529.24	108,934.61
Transfers Out	1,000,000.00	10,538.36	101,764.00	1,112,302.36
Total Deductions	1,061,405.37	10,538.36	27,278,214.76	28,350,158.49
 <b>NET INCREASE (DECREASE)</b>	 2,264,248.49	 (2,414.52)	 (7,594,610.43)	 (5,332,776.46)
 Net Assets- September 1, 2003	 304,559,295.71		 117,984,032.52	 422,543,328.23
Restatements		557,922.51		557,922.51
Net Assets, September 1, 2003, As Restated	304,559,295.71	557,922.51	117,984,032.52	423,101,250.74
 Net Assets - August 31, 2004	 \$ 306,823,544.20	 \$ 555,507.99	 \$ 110,389,422.09	 \$ 417,768,474.28

UNAUDITED

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

August 31, 2004

	Beginning Balance September 1, 2003	Additions	Deductions	Ending Balance August 31, 2004
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund (0001) U/F (0003)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ -	\$ 9,216,855.52	\$ 9,216,855.52	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 9,216,855.52</u>	<u>\$ 9,216,855.52</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ -	\$ 9,216,855.52	\$ 9,216,855.52	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 9,216,855.52</u>	<u>\$ 9,216,855.52</u>	<u>\$ -</u>
<b>City, Cty, Mta &amp; Spd (0882) U/F (0882)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ -	\$ 532.45	\$ 532.45	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 532.45</u>	<u>\$ 532.45</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ -	\$ 532.45	\$ 532.45	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 532.45</u>	<u>\$ 532.45</u>	<u>\$ -</u>
<b>Departmental Suspense (0900) U/F (0900)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ -	\$ 7,908,201.12	\$ 7,908,201.12	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 7,908,201.12</u>	<u>\$ 7,908,201.12</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ -	\$ 7,908,201.12	\$ 7,908,201.12	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 7,908,201.12</u>	<u>\$ 7,908,201.12</u>	<u>\$ -</u>
<b>US Savings Bond Account (0901) U/F (0901)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 4,200.00	\$ 55,775.00	\$ 56,100.00	\$ 3,875.00
Total Assets	<u>\$ 4,200.00</u>	<u>\$ 55,775.00</u>	<u>\$ 56,100.00</u>	<u>\$ 3,875.00</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 4,200.00	\$ 55,775.00	\$ 56,100.00	\$ 3,875.00
Total Liabilities	<u>\$ 4,200.00</u>	<u>\$ 55,775.00</u>	<u>\$ 56,100.00</u>	<u>\$ 3,875.00</u>
<b>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 312,088.00	\$ 337,088.00	\$ 337,088.00	\$ 312,088.00
Other Assets	940,804,999.31	839,360,884.91	940,804,999.31	839,360,884.91
Total Assets	<u>\$ 941,117,087.31</u>	<u>\$ 839,697,972.91</u>	<u>\$ 941,142,087.31</u>	<u>\$ 839,672,972.91</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 941,117,087.31	\$ 839,697,972.91	\$ 941,142,087.31	\$ 839,672,972.91
Total Liabilities	<u>\$ 941,117,087.31</u>	<u>\$ 839,697,972.91</u>	<u>\$ 941,142,087.31</u>	<u>\$ 839,672,972.91</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, 2004

	Beginning Balance September 1, 2003	Additions	Deductions	Ending Balance August 31, 2004
<b><u>UNCLAIMED DIVIDEND TRUST FUND (0923) U/F (0923)</u></b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 557,922.51	\$ -	\$ 557,922.51	\$ -
Total Assets	<u>\$ 557,922.51</u>	<u>\$ -</u>	<u>\$ 557,922.51</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 557,922.51	\$ -	\$ 557,922.51	\$ -
Total Liabilities	<u>\$ 557,922.51</u>	<u>\$ -</u>	<u>\$ 557,922.51</u>	<u>\$ -</u>
<b><u>TEXASAVER HOLD-TRANSMIT 401K FUND (0942) U/F (0942)</u></b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ -	\$ 1,240,779.42	\$ 1,339,058.49	\$ (98,279.07)
Total Assets	<u>\$ -</u>	<u>\$ 1,240,779.42</u>	<u>\$ 1,339,058.49</u>	<u>\$ (98,279.07)</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ -	\$ 1,240,779.42	\$ 1,339,058.49	\$ (98,279.07)
Total Liabilities	<u>\$ -</u>	<u>\$ 1,240,779.42</u>	<u>\$ 1,339,058.49</u>	<u>\$ (98,279.07)</u>
<b><u>Direct Deposit Correction Fund (0980) U/F (0980)</u></b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ -	\$ 5,916.96	\$ 5,916.96	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 5,916.96</u>	<u>\$ 5,916.96</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ -	\$ 5,916.96	\$ 5,916.96	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 5,916.96</u>	<u>\$ 5,916.96</u>	<u>\$ -</u>
<b>Totals - All Agency Funds</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 874,210.51	\$ 18,765,148.47	\$ 19,421,675.05	\$ 217,683.93
Other Assets	940,804,999.31	839,360,884.91	940,804,999.31	839,360,884.91
Total Assets	<u>\$ 941,679,209.82</u>	<u>\$ 858,126,033.38</u>	<u>\$ 960,226,674.36</u>	<u>\$ 839,578,568.84</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 941,679,209.82	\$ 858,126,033.38	\$ 960,226,674.36	\$ 839,578,568.84
Total Liabilities	<u>\$ 941,679,209.82</u>	<u>\$ 858,126,033.38</u>	<u>\$ 960,226,674.36</u>	<u>\$ 839,578,568.84</u>

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, 2004

	Surplus Lines Stamping Office of Texas (9999) U/F (0391)	Texas Health Reinsurance System (9999) U/F (0392)	Texas Health Insurance Risk Pool (9999) U/F (0393)	Totals (Ex III)
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank	\$ 642,978.00	\$ 889,901.00	\$ (8,791,876.00)	\$ (7,258,997.00)
Cash Equivalents	6,019,214.00		5,318,994.00	11,338,208.00
Short Term Investments			35,231,550.00	35,231,550.00
Receivables from:				
Interest and Dividends				-
Accounts Receivable	393,872.00		1,407,326.00	1,801,198.00
Other	32,781.00	8,274,867.00		8,307,648.00
Total Current Assets	<u>7,088,845.00</u>	<u>9,164,768.00</u>	<u>33,165,994.00</u>	<u>49,419,607.00</u>
Non-Current Assets:				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment	3,386,039.00		30,494.00	3,416,533.00
Less Accumulated Depreciation	(1,418,882.00)		(21,433.00)	(1,440,315.00)
Other Non-Current Assets	18,705.00		5,223.00	23,928.00
Total Non-Current Assets	<u>1,985,862.00</u>	<u>-</u>	<u>14,284.00</u>	<u>2,000,146.00</u>
Total Assets	<u>9,074,707.00</u>	<u>9,164,768.00</u>	<u>33,180,278.00</u>	<u>51,419,753.00</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Payables from:				
Accounts	36,709.00	203,795.00	1,145,455.00	1,385,959.00
Deferred Revenue			9,234,823.00	9,234,823.00
Other Liabilities	274,111.00	8,960,973.00	2,400,000.00	11,635,084.00
Notes and Loans Payable				-
Total Current Liabilities	<u>310,820.00</u>	<u>9,164,768.00</u>	<u>12,780,278.00</u>	<u>22,255,866.00</u>
Non-Current Liabilities:				
Other Liabilities (Note 5)			20,400,000.00	20,400,000.00
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>20,400,000.00</u>	<u>20,400,000.00</u>
Total Liabilities	<u>310,820.00</u>	<u>9,164,768.00</u>	<u>33,180,278.00</u>	<u>42,655,866.00</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,967,063.00			1,967,063.00
Unrestricted	6,796,824.00	-		6,796,824.00
<b>Total Net Assets</b>	<u>\$ 8,763,887.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,763,887.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2003. 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, 2004

	<b>Surplus Lines Stamping Office of Texas (9999) U/F (0391)</b>	<b>Texas Health Reinsurance System (9999) U/F (0392)</b>	<b>Texas Health Insurance Risk Pool (9999) U/F (0393)</b>	<b>Totals (Ex IV)</b>
<b>OPERATING REVENUES:</b>				
Sales of Goods and Services:				
Other Sales of Goods and Services	\$ 4,210,671.00	\$ -	\$ -	\$ 4,210,671.00
Premium Revenue		2,694,775.00	122,275,787.00	124,970,562.00
Interest and Investment Income	28,161.00	18,102.00	471,674.00	517,937.00
Other Operating Revenues	1,986.00	9,609,230.00	68,914,359.00	78,525,575.00
Total Operating Revenues	<u>4,240,818.00</u>	<u>12,322,107.00</u>	<u>191,661,820.00</u>	<u>208,224,745.00</u>
<b>OPERATING EXPENSES:</b>				
Salaries and Wages	1,135,227.00		237,502.00	1,372,729.00
Payroll Related Costs	390,560.00			390,560.00
Professional Fees and Services	208,349.00		13,916,018.00	14,124,367.00
Travel	1,259.00		3,535.00	4,794.00
Materials and Supplies	119,217.00		45,249.00	164,466.00
Communication and Utilities	43,663.00			43,663.00
Repairs and Maintenance	19,629.00			19,629.00
Rentals and Leases	197,938.00		54,424.00	252,362.00
Printing and Reproduction	10,262.00			10,262.00
Depreciation and Amortization	440,943.00		4,585.00	445,528.00
Other Operating Expenses	214,100.00	12,322,107.00	177,400,507.00	189,936,714.00
Total Operating Expenses	<u>2,781,147.00</u>	<u>12,322,107.00</u>	<u>191,661,820.00</u>	<u>206,765,074.00</u>
Operating Income (Loss)	<u>1,459,671.00</u>	<u>-</u>	<u>-</u>	<u>1,459,671.00</u>
Change in Net Assets	<u>1,459,671.00</u>	<u>-</u>	<u>-</u>	<u>1,459,671.00</u>
Total Net Assets, September 1, 2003	7,304,216.00			7,304,216.00
Restatements				-
Total Net Assets, September 1, 2003, as Restated	<u>7,304,216.00</u>	<u>-</u>	<u>-</u>	<u>7,304,216.00</u>
Total Net Assets, August 31, 2004	<u>\$ 8,763,887.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,763,887.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2003. 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, 2004

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		
<b>U.S. Dept of Health and Human Svcs</b>							
Direct Program:							
State Planning Grant	93.256	6 P09 OA 00030-01-05		\$ -	\$ -	\$ 126,925.43	
Pass-Through From:							
Texas Department on Aging							
Centers for Medicare and Medicaid Services (CMS)							
Research, Demonstrations and Evaluations	93.779		340	<u>57,878.00</u>			
Total U.S. Dept. of Health and Human Svcs				<u>57,878.00</u>	<u>-</u>	<u>126,925.43</u>	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 57,878.00</u>	<u>\$ -</u>	<u>\$ 126,925.43</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		
\$ 126,925.43		\$ -	\$ -	\$ 126,925.43	\$ 126,925.43
<u>57,878.00</u>		<u>-</u>	<u>-</u>	<u>57,878.00</u>	<u>57,878.00</u>
<u>184,803.43</u>		<u>-</u>	<u>-</u>	<u>184,803.43</u>	<u>184,803.43</u>
<u>\$ 184,803.43</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,803.43</u>	<u>\$ 184,803.43</u>

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

Federal Revenue	\$ 126,925.43
Federal Grant Pass-Through Revenue	<u>57,878.00</u>
 Total Pass-Through and Expenditures per Federal Schedule	  <u>\$ 184,803.43</u>

UNAUDITED

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

For the fiscal year ended August 31, 2004

	<b>AMOUNT</b>
<b>REVENUES COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE</b>	
<b>REVENUES FUND 0036</b>	
<b>FEDERAL FUNDS</b>	
Fund 0036 - Department of Aging Contract - Federal Pass-Through	\$ 57,878.00
Fund 0036 - State Planning Grant	126,053.25
<b>TOTAL FEDERAL FUNDS</b>	<b>183,931.25</b>
 <b>LICENSES, FEES AND PERMITS</b>	
Fund 0036 - Catastrophic Pool Inspection Fees	7,882.00
Fund 0036 - License Fee - Title Insurance Companies	226,233.50
Fund 0036 - Filing Fees - Life	266,479.32
Fund 0036 - Filing Fees - Property and Casualty	295,231.04
Fund 0036 / Fund 905 - License Fees - Insurance Adjusters and Agents	11,637,390.75
Fund 0036 - Agents Certification and Clearance Letters	1,038,300.77
Fund 0036 - Filing Fees - Third Party Administrators	107,609.07
Fund 0036 - Filing Fees - Risk Retention & Purchasing Groups	15,700.00
Fund 0036 - Examination Fees - Salaries and Travel Expense	2,617,155.59
Fund 0036 - Examination Fees - Overhead Assessment	12,153,153.68
Fund 0036 - Filing Fees - Policy Approval	533,480.00
Fund 0036 - Filing Fees - Health Maintenance Organizations	104,661.00
Fund 0036 - Filing Fees - Insurance Premium Finance	80,670.00
Fund 0036 - Examination and Assessment Fees - Insurance Premium Finance	260,141.86
Fund 0036 - Amusement Ride Safety Inspections	66,825.00
Fund 0036 - State Fire Marshal Fees	2,021,415.00
Fund 0036 - Miscellaneous Certification Fees	5,710.77
Fund 0036 - Administrative Fees	61,844.00
<b>TOTAL LICENSES, FEES, AND PERMITS</b>	<b>31,499,883.35</b>
 <b>SALES OF GOODS AND SERVICES</b>	
Fund 0036 - Sale of Lists, Bulletins, Rating Data, etc.	27,695.10
<b>TOTAL SALES OF GOODS AND SERVICES</b>	<b>27,695.10</b>
 <b>OTHER REVENUES</b>	
Fund 0036 - Warrants Voided By Statute of Limitations	7,270.75
Fund 0036 - Reimbursements - Third Party	1,394,027.73
Fund 0036 - Reimbursement of Conservation Expenses	70,359.86
Fund 0036 - Other Miscellaneous Governmental Revenue	3,841.28
<b>TOTAL OTHER REVENUES</b>	<b>1,475,499.62</b>
<b>TOTAL FUND 0036 REVENUES</b>	<b>33,187,009.32</b>
 <b>REVENUES FUND 0001</b>	
<b>FEDERAL FUNDS</b>	
Fund 0001 - State Planning Grant - Federal Receipts	872.18
<b>LICENSES, FEES, AND PERMITS</b>	
Fund 0001 - Subscription Fees Agents License	5,010.00
<b>TOTAL GENERAL REVENUE COLLECTIONS</b>	<b>\$ 5,882.18</b>

UNAUDITED

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

For the fiscal year ended August 31, 2004

	<b>AMOUNT</b>
<b>AGENCY FUNDS COLLECTIONS</b>	
Fund 0001 - State Sales Tax/Discounts	\$ 1,638.12
Fund 0001 - Viatical Settlement Registration Fees	34,050.00
Fund 0001 - Utilization Review Fees	81,325.00
Fund 0001 - Filing Fees - Continuing Care Facilities	32,592.00
Fund 0001 - Returned Check Fees	2,900.00
Fund 0001 - Retaliatory Fees	50.00
Fund 0923 - Interest Earned Unclaimed Dividend Trust Account Fund	8,123.84
Fund 0001 - Judgments (Secured by Court Action)	3,017,605.14
Fund 0001 - Penalty In Lieu of Suspension/Cancellation	2,482,457.05
Fund 0001 - Other Miscellaneous Governmental Revenue	3,173.88
Fund 0882 - City/MTA Sales Tax Trust	521.72
Fund 0001 - SFMO-Fireworks, Educ Safety	68,995.00
Fund 0001 - Specialty Insurance Agents Lic	246,824.00
Fund 0001 - Continuing Ed. Provider Fees	189,070.30
Fund 0001 - Interest On Judgements	7,468.98
<b>TOTAL AGENCY FUNDS COLLECTIONS</b>	<b>6,176,795.03</b>
<b>TOTAL FUNDS 0036 AND 0001 REVENUES/AGENCY FUND COLLECTIONS - TDI</b>	<b>39,369,686.53</b>
<b><u>TRANSFERS IN</u></b>	
<b>From Comptroller of Public Accounts:</b>	
Fund 0036 - Motor Vehicle Maintenance Tax	\$ 4,645,186.63
Fund 0036 - Fire and Allied Lines Maintenance Tax	14,163,674.73
Fund 0036 - Workers' Compensation Maintenance Tax	1,418,910.29
Fund 0036 - Casualty Maintenance Tax	4,101,064.87
Fund 0036 - Title Maintenance Fee	648,531.01
Fund 0036 - Life/Accident and Health Maintenance Tax	7,250,417.77
Fund 0036 - Third Party Administrator Maintenance Tax	651,353.43
Fund 0036 - Health Maintenance Organization Maintenance Tax	1,350,029.22
Fund 0036 - Prepaid Legal Services Maintenance Tax	608.82
Fund 0036 - Domestic Valuation Fees - Life	6,426,044.93
Fund 0036 - Annual Statement Filing Fees	234,164.99
Fund 0036 - Workers' Compensation Research and Oversight Center Maintenance Tax	4,284.32
<b>From Texas Workers' Compensation Commission</b>	
Fund 0036 - Cash Transfer TWCC for Research and Oversight Center Maintenance Tax	21,086.07
<b>From Research and Oversight Council on Workers' Compensation</b>	
Fund 0036 - Cash Transfer from Research and Oversight Center on Workers' Compensation	2,420,962.38
<b>TOTAL REVENUES TRANSFERRED FROM COMPTROLLER OF PUBLIC ACCOUNTS</b>	<b>43,336,319.46</b>
<b>From Other Sources:</b>	
Fund 0036 - From Catastrophe Reserve Trust Fund	1,000,000.00
Fund 0001 - From Sale of Fixed Assets	5,062.50
<b>TOTAL REVENUES FROM TRANSFERS IN</b>	<b>1,005,062.50</b>
<b>TOTAL REVENUES/TRANSFERS IN</b>	<b>\$ 83,711,068.49</b>

**UNAUDITED**

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

1995 - 2004

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES &amp; FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
1995	\$ 80,478,984.00	\$ 21,523,266.00	\$ 1,779,561.00	\$ 103,781,811.00
1996	55,714,235.25	27,141,096.62	2,633,586.76	85,488,918.63
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

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





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**Texas Department of Insurance**

333 Guadalupe Austin, Texas 78701