

2003

Annual Financial Report



for the Fiscal Year ending August 31, 2003

Texas Department of Insurance



Texas Department of Insurance

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José Montemayor
Commissioner of Insurance

November 20, 2003

The Honorable Rick Perry, *Governor*
The Honorable Carole Keeton Strayhorn, *State Comptroller*
Mr. John Keel, *Director, Legislative Budget Board*
Mr. Lawrence F. Alwin, *CPA, State Auditor*

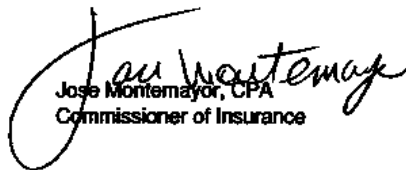
Dear Public Officials:

We are pleased to submit the *Annual Financial Report* of the Texas Department of Insurance for the year ended August 31, 2003, 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 2003**

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Texas Department of Insurance (454)

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

August 31, 2003

	<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>
ASSETS			
Current Assets:			
Cash (Note 3)			
On Hand	\$ 685.00	\$ -	\$ 685.00
In Bank	25,000.00	53,316.09	78,316.09
In State Treasury	59,303,908.92		59,303,908.92
Cash Equivalents		7,867,865.98	7,867,865.98
Short Term Investments (Note 3)		-	-
Receivables from:			
Federal	-		-
Accounts Receivable	542,918.63	42,654.06	585,572.69
Due From Other Agencies	-		-
Consumable Inventories	57,565.77		57,565.77
Total Current Assets	<u>59,930,078.32</u>	<u>7,963,836.13</u>	<u>67,893,914.45</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>\$ 59,930,078.32</u>	<u>\$ 7,963,836.13</u>	<u>\$ 67,893,914.45</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 2,309,558.68	\$ -	\$ 2,309,558.68
Payroll	3,940,686.00		3,940,686.00
Due To Other Agencies	1,263,491.47		1,263,491.47
Employees Compensable Leave (Note 4)			
Total Current Liabilities	<u>7,513,736.15</u>	<u>-</u>	<u>7,513,736.15</u>
Non-Current Liabilities:			
Employees Compensable Leave (Note 4)			
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,513,736.15</u>	<u>-</u>	<u>7,513,736.15</u>

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ -	\$ -	\$ 685.00
			78,316.09
			59,303,908.92
			7,867,865.98
			-
			-
			585,572.69
			-
			<u>57,565.77</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>67,893,914.45</u>
91,350.00			91,350.00
3,656,272.92			3,656,272.92
(2,594,401.80)			(2,594,401.80)
944,085.67			944,085.67
(809,397.90)			(809,397.90)
16,070.00			16,070.00
(5,436.82)			(5,436.82)
<u>1,298,542.07</u>	<u>-</u>	<u>-</u>	<u>1,298,542.07</u>
<u>\$ 1,298,542.07</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,192,456.52</u>
\$ -	\$ -	\$ -	\$ 2,309,558.68
			3,940,686.00
			1,263,491.47
	<u>2,526,984.69</u>		<u>2,526,984.69</u>
<u>-</u>	<u>2,526,984.69</u>	<u>-</u>	<u>10,040,720.84</u>
	<u>1,641,414.12</u>		<u>1,641,414.12</u>
<u>-</u>	<u>1,641,414.12</u>	<u>-</u>	<u>1,641,414.12</u>
<u>-</u>	<u>4,168,398.81</u>	<u>-</u>	<u>11,682,134.96</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, 2003

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	\$ 40,567.60	\$ -	\$ 40,567.60
Inventories	57,565.77		57,565.77
Imprest	25,685.00		25,685.00
Unreserved Designated for:			
Undesignated	52,292,523.80	7,963,836.13	60,256,359.93
Total Fund Balances	52,416,342.17	7,963,836.13	60,380,178.30
Total Liabilities and Fund Balances	\$ 59,930,078.32	\$ 7,963,836.13	\$ 67,893,914.45

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets:
Invested in Capital Assets, Net of Related Debt
Unrestricted
Total Net Assets

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>
\$ -	\$ -	\$ -	\$ 40,567.60
			57,565.77
			25,685.00
			<u>60,256,359.93</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>60,380,178.30</u>
<u>\$ -</u>	<u>\$ 4,168,398.81</u>	<u>\$ -</u>	<u>\$ 72,062,313.26</u>
\$ 1,298,542.07			\$ 1,298,542.07
	(4,168,398.81)		(4,168,398.81)
<u>\$ 1,298,542.07</u>	<u>\$ (4,168,398.81)</u>	<u>\$ -</u>	<u>\$ (2,869,856.74)</u>

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

UNAUDITED

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, 2003

	General Funds (Ex A-2)	Special Revenue Funds (9999) U/F(1999)	Governmental Funds Total
REVENUES			
Federal Revenue (Sch 1A)	\$ 80,980.08	\$ -	\$ 80,980.08
Federal Pass-Through Revenue (Sch 1A)	56,955.00		56,955.00
Licenses, Fees & Permits	29,873,707.76	371,349.73	30,245,057.49
Sales of Goods and Services	58,754.25		58,754.25
Interest and Other Investment Income		101,852.90	101,852.90
Other	1,629,173.07		1,629,173.07
Total Revenues	31,699,570.16	473,202.63	32,172,772.79
EXPENDITURES			
Salaries and Wages	41,639,443.22	549,795.04	42,189,238.26
Payroll Related Costs	11,600,664.60		11,600,664.60
Professional Fees and Services	133,183.57	5,850.00	139,033.57
Travel	1,455,681.47	3,699.19	1,459,380.66
Materials and Supplies	694,528.03	536.87	695,064.90
Communication and Utilities	1,360,075.95	1,390.21	1,361,466.16
Repairs and Maintenance	810,596.56	-	810,596.56
Rentals & Leases	427,643.97	-	427,643.97
Printing and Reproduction	219,725.08		219,725.08
Claims and Judgments	4,329.84		4,329.84
Other Expenditures	4,805,553.38	22,865.57	4,828,418.95
Capital Outlay	220,120.64		220,120.64
Depreciation Expense			-
Total Expenditures/Expenses	63,371,546.31	584,136.88	63,955,683.19
Excess (Deficiency) of Revenues			
Over Expenditures	(31,671,976.15)	(110,934.25)	(31,782,910.40)
OTHER FINANCING SOURCES (USES)			
Transfers In	60,830,920.64	396,304.14	61,227,224.78
Transfers Out	(18,321,622.70)	(24.47)	(18,321,647.17)
Sale of Capital Assets	4,987.80		4,987.80
Legislative Transfers Out (Note 7)	(26,628.81)		(26,628.81)
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			
Total Other Financing Sources and Uses	42,487,656.93	396,279.67	42,883,936.60
Net Change in Fund Balances/Net Assets	10,815,680.78	285,345.42	11,101,026.20

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
\$ -	\$ -	\$ -	\$ 80,980.08
			56,955.00
			30,245,057.49
			58,754.25
			101,852.90
			1,629,173.07
<u>-</u>	<u>-</u>	<u>-</u>	<u>32,172,772.79</u>
	366,363.89		42,555,602.15
			11,600,664.60
			139,033.57
			1,459,380.66
			695,064.90
			1,361,466.16
			810,596.56
			427,643.97
			219,725.08
			4,329.84
			4,828,418.95
(220,120.64)			-
515,262.64			515,262.64
<u>295,142.00</u>	<u>366,363.89</u>	<u>-</u>	<u>64,617,189.08</u>
<u>(295,142.00)</u>	<u>(366,363.89)</u>	<u>-</u>	<u>(32,444,416.29)</u>
			61,227,224.78
			(18,321,647.17)
(4,987.80)			-
			(26,628.81)
			-
4,987.80			4,987.80
(13,557.45)			(13,557.45)
<u>(13,557.45)</u>	<u>-</u>	<u>-</u>	<u>42,870,379.15</u>
<u>(308,699.45)</u>	<u>(366,363.89)</u>	<u>-</u>	<u>10,425,962.86</u>

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

UNAUDITED

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, 2003

FUND FINANCIAL STATEMENT-FUND BALANCES

Fund Balances--Beginning	\$ 41,600,661.39	\$ 7,533,295.47	\$ 49,133,956.86
Restatements	-	145,195.24	145,195.24
Fund Balances, September 1, 2002, as Restated	41,600,661.39	7,678,490.71	49,279,152.10
Fund Balances--August 31, 2003	<u>\$ 52,416,342.17</u>	<u>\$ 7,963,836.13</u>	<u>\$ 60,380,178.30</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Change in Net Assets

Net Assets-Beginning

Restatements

Net Assets, September 1, 2002, as Restated

Net Assets-August 31, 2003

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 49,133,956.86
-	-	-	145,195.24
-	-	-	49,279,152.10
<u>\$ (308,699.45)</u>	<u>\$ (366,363.89)</u>	<u>\$ -</u>	<u>\$ 59,705,114.96</u>
\$ (308,699.45)	\$ (366,363.89)	-	\$ (675,063.34)
1,607,241.52	(3,802,034.92)	-	(2,194,793.40)
<u>1,607,241.52</u>	<u>(3,802,034.92)</u>	<u>-</u>	<u>(2,194,793.40)</u>
<u>\$ 1,298,542.07</u>	<u>\$ (4,168,398.81)</u>	<u>\$ -</u>	<u>\$ (2,869,856.74)</u>

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, 2003

	Total Proprietary Component Units (Exhibit L-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ (6,546,426.00)
Cash Equivalents (Note 3)	11,153,163.00
Short Term Investments (Note 3)	32,869,300.00
Receivables from:	
Interest and Dividends	-
Accounts Receivable	1,584,563.00
Other	6,681,438.00
Total Current Assets	45,742,038.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	2,836,478.00
Less Accumulated Depreciation	(994,788.00)
Other Non-Current Assets	20,128.00
Total Non-Current Assets	1,861,818.00
Total Assets	47,603,856.00
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	1,036,976.00
Deferred Revenue	14,877,008.00
Other Liabilities	6,785,656.00
Notes and Loans Payable	1,500,000.00
Total Current Liabilities	24,199,640.00
Non-Current Liabilities:	
Other Liabilities	16,100,000.00
Total Non-Current Liabilities	16,100,000.00
Total Liabilities	40,299,640.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,832,662.00
Unrestricted	5,471,554.00
Total Net Assets	\$ 7,304,216.00

Note A - These Component Units have a fiscal year end of December 31, 2002. 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 IV - Combined Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds

For the Fiscal Year Ended August 31, 2003

	Total Proprietary Component Units (Exhibit L-2)
OPERATING REVENUES:	
Sales of Goods and Services:	
Other Sales of Goods and Services	\$ 5,527,314.00
Premium Revenue	95,617,704.00
Interest and Investment Income	805,953.00
Other Operating Revenues	61,813,577.00
Total Operating Revenues	163,764,548.00
OPERATING EXPENSES:	
Salaries and Wages	1,241,693.00
Payroll Related Costs	350,487.00
Professional Fees and Services	11,456,380.00
Travel	3,813.00
Materials and Supplies	151,292.00
Communication and Utilities	16,487.00
Repairs and Maintenance	16,987.00
Rentals and Leases	322,840.00
Printing and Reproduction	9,563.00
Depreciation and Amortization	345,540.00
Other Operating Expenses	147,261,505.00
Total Operating Expenses	161,176,587.00
Operating Income (Loss)	2,587,961.00
Change in Net Assets	2,587,961.00
Total Net Assets, September 1, 2002	4,948,766.00
Restatements	(232,511.00)
Total Net Assets, September 1, 2002, as Restated	4,716,255.00
Total Net Assets, August 31, 2003	\$ 7,304,216.00

Note A - These Component Units have a fiscal year end of December 31, 2002. Financial information is as of that date.

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

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Texas Department of Insurance (454)
Exhibit V - Combined Statement of Cash Flows –
Proprietary Funds

For the Fiscal Year Ended August 31, 2003

	Total Proprietary Component Units (Exhibit L-3)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 105,079,843.00
Proceeds from Loan Programs	1,000,000.00
Proceeds from Other Revenues	43,428,898.00
Payments to Suppliers for Goods and Services	(147,426,372.00)
Payments to Employees	(1,349,032.00)
Payments for Other Expenses	(8,661,723.00)
Net Cash Provided by Operating Activities	<u>(7,928,386.00)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for Other Uses	417.00
Net Cash Provided by Noncapital Financing Activities	<u>417.00</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the Sale of Capital Assets	855.00
Payments for Additions to Capital Assets	(761,261.00)
Net Cash Provided by Capital and Related Financing Activities	<u>(760,406.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	91,054,692.00
Proceeds from Interest and Investment Income	(614,838.00)
Payments to Acquire Investments	(84,262,521.00)
Net Cash Provided by Investing Activities	<u>6,177,333.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,511,042.00)
Cash and Cash Equivalents--September 1, 2002	7,117,779.00
Restatement to Beginning Cash & Cash Equivalents	<u>-</u>
Cash and Cash Equivalents--August 31, 2003	<u><u>\$ 4,606,737.00</u></u>

Note A - These Component Units have a fiscal year end of December 31, 2002. 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 V - Combined Statement of Cash Flows –
Proprietary Funds (con't)**

For the Fiscal Year Ended August 31, 2003

	Total Proprietary Component Units (Exhibit L-3)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 2,587,961.00
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Amortization and Depreciation	345,540.00
Loss on sale of capital assets	818.00
Cumulative effect of change in Accounting Principle	(232,511.00)
Operating Income and Cash Flow Categories:	
Classification Differences	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(627,066.00)
(Increase) Decrease in Prepaid Expenses	(155,188.00)
(Increase) Decrease in Loans & Contracts	1,000,000.00
(Increase) Decrease in Other Assets	-
Increase (Decrease) in Payables	2,472,106.00
Increase (Decrease) in Deferred Income	(14,513,835.00)
Increase (Decrease) in Other Liabilities	1,193,789.00
Total Adjustments	(10,516,347.00)
Net Cash Provided by Operating Activities	\$ (7,928,386.00)
Non Cash Transactions	
Net Increase (Decrease) in Fair Value of Investments	\$ -

Note A - These Component Units have a fiscal year end of December 31, 2002. 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 VI - Combined Statement of Fiduciary Net Assets
Fiduciary Funds

August 31, 2003

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 162,016.84	\$ -	\$ 162,016.84
Cash in State Treasury		874,210.51	874,210.51
Cash Equivalents	407,460,093.55		407,460,093.55
Short Term Investments (Note 3)	14,915,422.28		14,915,422.28
Accounts Receivable	87,358.56		87,358.56
Other Assets	85,120,675.94	940,804,999.31	1,025,925,675.25
Total Assets	<u>507,745,567.17</u>	<u>941,679,209.82</u>	<u>1,449,424,776.99</u>
LIABILITIES			
Funds Held for Others	<u>85,202,238.94</u>	<u>941,679,209.82</u>	<u>1,026,881,448.76</u>
Total Liabilities	<u>85,202,238.94</u>	<u>941,679,209.82</u>	<u>1,026,881,448.76</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	<u>422,543,328.23</u>		<u>422,543,328.23</u>
Total Net Assets	<u>\$ 422,543,328.23</u>	<u>\$ -</u>	<u>\$ 422,543,328.23</u>

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

UNAUDITED

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

August 31, 2003

	Private- Purpose Trust	Totals
	(Exhibit I-2)	
ADDITIONS		
Investment Income		
From Investing Activities:		
Interest and Investment Income	\$ 5,908,406.85	\$ 5,908,406.85
Total Investing Income	5,908,406.85	5,908,406.85
Less Investing Activities Expense	-	-
Net Income from Investing Activities	5,908,406.85	5,908,406.85
 Total Net Investment Income	 5,908,406.85	 5,908,406.85
 Other Additions		
Other Revenue	63,140,780.13	63,140,780.13
Transfers In	14,118.92	14,118.92
Total Other Additions	63,154,899.05	63,154,899.05
 Total Additions	 69,063,305.90	 69,063,305.90
DEDUCTIONS		
Professional Fees and Services	4,917,273.68	4,917,273.68
Settlement of Claims	49,167,278.19	49,167,278.19
Other Expense	81,911.62	81,911.62
Transfers Out	1,470,164.61	1,470,164.61
Total Deductions	55,636,628.10	55,636,628.10
 NET INCREASE (DECREASE)	 13,426,677.80	 13,426,677.80
 Net Assets- September 1, 2002	408,044,233.02	408,044,233.02
Restatements	1,072,417.41	1,072,417.41
Net Assets, September 1, 2002, As Restated	409,116,650.43	409,116,650.43
 Net Assets - August 31, 2003	 \$ 422,543,328.23	 \$ 422,543,328.23

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

UNAUDITED

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." Our entity is a part of the statewide report and our component will be subject to audit by the State Auditor. The history of the Agency dates back to the Texas Constitution of 1876. Since then, the composition of the Agency has changed several times. The latest change took place in 1993 when House Bill No. 1461, 73rd Legislature, Regular Session, amended the Insurance Code to establish the Commissioner of Insurance as the primary policy-setting authority and to abolish the three-member State Board of Insurance no later than September 1, 1994. The Board transferred all remaining power to the Commissioner effective December 16, 1993.

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

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

Blended Component Units

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

Discrete 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 is governed by a nine-member board appointed by the Commissioner of Insurance. The Commissioner approves rates and rate schedules used by the Risk Pool. The purpose of the entity is 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.

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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 Asset Adjustment Fund Type

Capital Asset 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 when 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 18.

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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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 method basis of accounting. Under the modified accrual, revenues are recognized in the period when 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 basis of accrual. 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 method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgements and full accrual revenues and expenses. The activity will be recognized in these new funds.

Proprietary funds, pension trust funds, external investment trust 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 or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGETS AND BUDGETARY ACCOUNTING

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

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 EQUITY

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 include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. 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 or works of art 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.

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

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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 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 TRANSACTIONS 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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NOTE 2: CAPITAL ASSETS

Revenue Received from the sale of Surplus Property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 2003 is presented below:

Asset Type	PRIMARY GOVERNMENT					Balance 8/31/03
	Balance 9/1/02	Adjustments*	Reclass- ification	Additions	Deletions	
Governmental activities:						
Non-depreciable Assets						
Other Capital Assets	\$ 91,350.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 91,350.00
Total non-depreciable assets	91,350.00	0.00	0.00	0.00	(0.00)	91,350.00
Depreciable Assets						
Furniture and Equipment	3,710,282.06		(109,991.78)	136,123.64	(80,141.00)	3,656,272.92
Vehicles	891,187.63		38,466.00	64,797.00	(50,364.96)	944,085.67
Other Capital Assets	11,070.00		0.00	5,000.00	0.00	16,070.00
Total depreciable assets at historical costs	4,612,539.69	(0.00)	(71,525.78)	205,920.64	(130,505.96)	4,616,428.59
Less accumulated depreciation for:						
Furniture and Equipment	(2,325,282.37)	(0.00)	109,672.68	(458,933.11)	80,141.00	(2,594,401.80)
Vehicles	(767,867.46)	(0.00)	(37,504.35)	(54,391.05)	50,364.96	(809,397.90)
Other Capital Assets	(3,498.34)	(0.00)	0.00	(1,938.48)	0.00	(5,436.82)
Total accumulated depreciation	(3,096,648.17)	(0.00)	72,168.33	(515,262.64)	130,505.96	(3,409,236.52)
Depreciable assets, net	1,515,891.52	(0.00)	642.55	(309,342.00)	(0.00)	1,207,192.07
Governmental activities capital assets, net	<u>\$ 1,607,241.52</u>	<u>\$ (0.00)</u>	<u>\$ 642.55</u>	<u>\$ (309,342.00)</u>	<u>\$ (0.00)</u>	<u>\$ 1,298,542.07</u>

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 (\$6,306,093.07) 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).

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

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Category 1	Category 2	Category 3	Carrying Amount
\$ 240,332.93	\$ 0.00	\$ 0.00	\$ 240,332.93

Consisting of the following:	
Governmental Funds Demand Deposits (Exh. I)	\$ 78,316.09
Fiduciary Funds Demand Deposits (Exh. VI)	155,973.73
Fiduciary Funds - Texas Treasury Safekeeping Trust (Exh. VI)	6,043.11
Total Deposits Carrying Amount	\$ 240,332.93

Deposits for Discretely Presented Component Units are:

Category 1	Category 2	Category 3	Carrying Amount
(\$ 6,546,426.00)	\$ 0.00	\$ 0.00	(\$ 6,546,426.00)

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	\$ 14,915,422.28	\$	\$	\$ 14,915,422.28
Repurchase Agreements-Texas Treasury Safekeeping Trust	414,759,341.57			414,759,341.57
Money Market	568,617.96			568,617.96
Total Investments	\$ 430,243,381.81	\$	\$	\$ 430,243,381.81

Consisting of the following:

Governmental Funds:				
Current Cash Equivalents (Exh. I)	\$ 7,867,865.98	\$	\$	\$ 7,867,865.98
Fiduciary Funds:				
Current Cash Equivalents	407,460,093.55			407,460,093.55
Current Short-Term Investments (Exh. VI)	14,915,422.28			14,915,422.28
Total Investments per Financial Statements	\$ 430,243,381.81	\$	\$	\$ 430,243,381.81

Investments for Discretely Presented Component Units are:

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

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Type of Security	Category 1	Category 2	Category 3	Fair Value
US Gov't Investments	\$ 44,022,463.00	\$	\$	\$ 44,022,463.00
Total Investments	<u>\$ 44,022,463.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 44,022,463.00</u>
Consisting of the following				
Proprietary Component Units				
Current Cash Equivalents (Exh. III)	\$ 11,153,163.00	\$	\$	\$ 11,153,163.00
Current Short-Term Investments (Exh. III)	32,869,300.00			32,869,300.00
Total Investments per Financial Statements	<u>\$ 44,022,463.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 44,022,463.00</u>

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.

NOTE 4: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2003, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/02	Additions	Reductions	Balance 8/31/03	Amounts Due Within One Year
Compensable Leave	\$ 3,802,034.92	\$ 3,976,255.11	\$ 3,609,891.22	\$ 4,168,398.81	\$ 2,526,984.69
Total Governmental Activities	<u>\$ 3,802,034.92</u>	<u>\$ 3,976,255.11</u>	<u>\$ 3,609,891.22</u>	<u>\$ 4,168,398.81</u>	<u>\$ 2,526,984.69</u>

Employees' Compensable Leave

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

NOTE 5: CAPITAL LEASES

N/A

NOTE 6: 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:

Year Ended August 31, 2003	
2004	\$ 168,146.08
2005	99,407.24
2006	53,063.28
2007	45,412.08
2008	0.00
2009 – 2013	0.00
2014 – 2018	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 366,028.68</u>

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

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NOTE 7: INTERFUND BALANCES/ACTIVITY

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, 2003, follow:

	<u>Legislative Transfers In</u>	<u>Legislative Transfers Out</u>
GENERAL REVENUE		
Appropriated Fund 0001 (Agency 902, Fund 0001)	\$ 0.00	\$ 26,628.81
Total Legislative Transfers	<u>\$ 0.00</u>	<u>\$ 26,628.81</u>

NOTE 8: CONTINGENT LIABILITIES

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

- Personnel There is one lawsuit against TDI by current or former TDI employees challenging a personnel decision made by TDI. The pending lawsuit was filed by multiple plaintiffs. All but two of the plaintiffs have dismissed their claims against TDI. Although it is not likely that the remaining two plaintiffs will continue to pursue this matter, the case remains pending in Travis County District Court. This 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.

NOTE 9: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 10: 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

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

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reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been 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 2002 and 2003 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2002	\$ 0.00	\$ 2,539.00	\$ 2,539.00	\$ 0.00
2003	0.00	4,329.84	4,329.84	0.00

NOTE 11: SEGMENT INFORMATION

N/A

NOTE 12: BONDED INDEBTEDNESS

N/A

NOTE 13: SUBSEQUENT EVENTS

N/A

NOTE 14: 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.

NOTE 15: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 16: 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.

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

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Individual Component Unit Disclosures

Discretely Presented Component Units:

The component units' column in the combined financial statements includes the financial data of the Texas Department of Insurance component units. They are reported in separate combined exhibits to emphasize that they are legally separate from the Texas Department of Insurance. The Commissioner appoints the board members of the component units.

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

NOTE 17: RESTATEMENTS OF FUND BALANCES/RETAINED EARNINGS

During FY 2003, 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	Expendable Trust Fund	Agency Funds	Private Purpose Trust Funds	Total
Fund Balance 8-31-02	\$	\$ 7,533,295.47	\$	\$	\$ 408,044,233.02	\$ 415,577,528.49

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

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Restatement to correct an error in the financial statements of a prior period

	<u>145,195.24</u>			<u>1,072,417.41</u>	<u>1,217,612.65</u>
Fund Balance 9-1-02, As Restated	\$ <u> </u>	\$ <u>7,678,490.71</u>	\$ <u> </u>	\$ <u>409,116,650.43</u>	\$ <u>416,795,141.14</u>

NOTE 18: EMPLOYEE RETIREMENT PLANS

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

NOTE 19: DEFERRED COMPENSATION PLANS

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

NOTE 20: DONOR-RESTRICTED ENDOWMENTS

N/A

NOTE 21 MANAGEMENT DISCUSSION AND ANALYSIS

N/A

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

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Texas Department of Insurance (454)

Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

August 31, 2003

	General Revenue		Consolidated Accounts	
	General Revenue	Departmental Suspense	GR Account -Tx Department of Insurance Operating	Total
	(0001) U/F (0004)	(0900) U/F (0905)	(0036) U/F (0036)	(Ex I)
ASSETS				
Current Assets:				
Cash:				
On Hand	\$ -	\$ -	\$ 685.00	\$ 685.00
In Bank			25,000.00	25,000.00
In State Treasury		-	59,303,908.92	59,303,908.92
Receivables from:				
Federal			-	-
Accounts Receivable			542,918.63	542,918.63
Due From Other Agencies			-	-
Consumable Inventories			57,565.77	57,565.77
Total Current Assets	-	-	59,930,078.32	59,930,078.32
Total Assets	\$ -	\$ -	\$ 59,930,078.32	\$ 59,930,078.32
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 255.00	\$ -	\$ 2,309,303.68	\$ 2,309,558.68
Payroll			3,940,686.00	3,940,686.00
Due To Other Agencies			1,263,491.47	1,263,491.47
Total Current Liabilities	255.00	-	7,513,481.15	7,513,736.15
Total Liabilities	255.00	-	7,513,481.15	7,513,736.15
FUND FINANCIAL STATEMENT				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances			40,567.60	40,567.60
Inventories			57,565.77	57,565.77
Imprest			25,685.00	25,685.00
Unreserved Designated for:				
Undesignated	(255.00)	-	52,292,778.80	52,292,523.80
Total Fund Balances	(255.00)	-	52,416,597.17	52,416,342.17
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 59,930,078.32	\$ 59,930,078.32

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, 2003

	General Revenue		Consolidated Accounts	
	General Revenue	Departmental Suspense	GR Account -Tx Department of Insurance Operating	Total
	(0001) U/F (0004)	(0900) U/F (0905)	(0036) U/F (0036)	(Ex II)
REVENUES				
Federal Revenue	\$ 56,295.21	\$ -	\$ 24,684.87	\$ 80,980.08
Federal Pass-Through Revenue			56,955.00	56,955.00
Licenses, Fees & Permits	1,500.00	(864.71)	29,873,072.47	29,873,707.76
Sales of Goods and Services	215.49		58,538.76	58,754.25
Other			1,629,173.07	1,629,173.07
Total Revenues	<u>58,010.70</u>	<u>(864.71)</u>	<u>31,642,424.17</u>	<u>31,699,570.16</u>
EXPENDITURES				
Salaries and Wages			41,639,443.22	41,639,443.22
Payroll Related Costs			11,600,664.60	11,600,664.60
Professional Fees and Services			133,183.57	133,183.57
Travel			1,455,681.47	1,455,681.47
Materials and Supplies			694,528.03	694,528.03
Communication and Utilities			1,360,075.95	1,360,075.95
Repairs and Maintenance			810,596.56	810,596.56
Rentals & Leases			427,643.97	427,643.97
Printing and Reproduction			219,725.08	219,725.08
Claims and Judgments			4,329.84	4,329.84
Other Expenditures	1,755.00		4,803,798.38	4,805,553.38
Capital Outlay			220,120.64	220,120.64
Total Expenditures/Expenses	<u>1,755.00</u>	<u>-</u>	<u>63,369,791.31</u>	<u>63,371,546.31</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>56,255.70</u>	<u>(864.71)</u>	<u>(31,727,367.14)</u>	<u>(31,671,976.15)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			60,830,920.64	60,830,920.64
Transfers Out	(34,869.69)		(18,286,753.01)	(18,321,622.70)
Sale of Capital Assets	4,987.80	(662.58)	662.58	4,987.80
Legislative Transfers Out	(26,628.81)		-	(26,628.81)
Total Other Financing Sources and Uses	<u>(56,510.70)</u>	<u>(662.58)</u>	<u>42,544,830.21</u>	<u>42,487,656.93</u>
Net Change in Fund Balances/Net Assets	<u>(255.00)</u>	<u>(1,527.29)</u>	<u>10,817,463.07</u>	<u>10,815,680.78</u>
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances--Beginning	-	1,527.29	41,599,134.10	41,600,661.39
Restatements				-
Fund Balances, September 1, 2002, as Restated	<u>-</u>	<u>1,527.29</u>	<u>41,599,134.10</u>	<u>41,600,661.39</u>
Fund Balances--August 31, 2003	<u>\$ (255.00)</u>	<u>\$ -</u>	<u>\$ 52,416,597.17</u>	<u>\$ 52,416,342.17</u>

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, 2003

	Private-Purpose Catastrophe Reserve Trust Fund (9999) U/F (0050)	Private-Purpose Estates/Securities in Trust (9999) U/F (2999)	Totals (Ex VI)
ASSETS			
Cash and Cash Equivalents:			
Cash in Bank	\$ -	\$ 162,016.84	\$ 162,016.84
Cash Equivalents	304,559,295.71	102,900,797.84	407,460,093.55
Short Term Investments		14,915,422.28	14,915,422.28
Accounts Receivable		87,358.56	87,358.56
Other Assets		85,120,675.94	85,120,675.94
Total Assets	<u>304,559,295.71</u>	<u>203,186,271.46</u>	<u>507,745,567.17</u>
LIABILITIES			
Funds Held for Others		85,202,238.94	85,202,238.94
Total Liabilities	<u>-</u>	<u>85,202,238.94</u>	<u>85,202,238.94</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	304,559,295.71	117,984,032.52	422,543,328.23
Total Net Assets	<u>\$ 304,559,295.71</u>	<u>\$ 117,984,032.52</u>	<u>\$ 422,543,328.23</u>

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

UNAUDITED

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

August 31, 2003

	Private-Purpose Catastrophe Reserve Trust Fund (9999) U/F (0050)	Private-Purpose Estates/Securities in Trust (9999) U/F (2999)	Total (Ex VII)
ADDITIONS			
Investment Income			
From Investing Activities:			
Interest and Investment Income	\$ 4,009,796.67	\$ 1,898,610.18	\$ 5,908,406.85
Total Investing Income	4,009,796.67	1,898,610.18	5,908,406.85
Less Investing Activities Expense			-
Net Income from Investing Activities	4,009,796.67	1,898,610.18	5,908,406.85
Total Net Investment Income	4,009,796.67	1,898,610.18	5,908,406.85
Other Additions			
Other Revenue		63,140,780.13	63,140,780.13
Transfers In	-	14,118.92	14,118.92
Total Other Additions	-	63,154,899.05	63,154,899.05
Total Additions	4,009,796.67	65,053,509.23	69,063,305.90
DEDUCTIONS			
Professional Fees and Services		4,917,273.68	4,917,273.68
Settlement of Claims		49,167,278.19	49,167,278.19
Other Expense	57,894.91	24,016.71	81,911.62
Transfers Out	1,000,000.00	470,164.61	1,470,164.61
Total Deductions	1,057,894.91	54,578,733.19	55,636,628.10
NET INCREASE (DECREASE)	2,951,901.76	10,474,776.04	13,426,677.80
Net Assets- September 1, 2002	301,607,393.95	106,436,839.07	408,044,233.02
Restatements		1,072,417.41	1,072,417.41
Net Assets, September 1, 2002, As Restated	301,607,393.95	107,509,256.48	409,116,650.43
Net Assets - August 31, 2003	\$ 304,559,295.71	\$ 117,984,032.52	\$ 422,543,328.23

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, 2003

	<u>Beginning Balance September 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance August 31, 2003</u>
UNAPPROPRIATED RECEIPTS				
<u>General Revenue Fund (0001) U/F (0003)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 1,820,712.67	\$ 1,820,712.67	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 1,820,712.67</u>	<u>\$ 1,820,712.67</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 1,820,712.67	\$ 1,820,712.67	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 1,820,712.67</u>	<u>\$ 1,820,712.67</u>	<u>\$ -</u>
<u>Departmental Suspense (0900) U/F (0900)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 2,017,736.80	\$ 2,017,736.80	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 2,017,736.80</u>	<u>\$ 2,017,736.80</u>	<u>\$ -</u>
LIABILITIES				
Funds Held for Others	\$ -	\$ 2,017,736.80	\$ 2,017,736.80	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 2,017,736.80</u>	<u>\$ 2,017,736.80</u>	<u>\$ -</u>
<u>US Savings Bond Account (0901) U/F (0901)</u>				
ASSETS				
Cash in State Treasury	\$ 4,950.00	\$ 58,200.00	\$ 58,950.00	\$ 4,200.00
Total Assets	<u>\$ 4,950.00</u>	<u>\$ 58,200.00</u>	<u>\$ 58,950.00</u>	<u>\$ 4,200.00</u>
LIABILITIES				
Funds Held for Others	\$ 4,950.00	\$ 58,200.00	\$ 58,950.00	\$ 4,200.00
Total Liabilities	<u>\$ 4,950.00</u>	<u>\$ 58,200.00</u>	<u>\$ 58,950.00</u>	<u>\$ 4,200.00</u>
<u>LIFE/HLTH/ACC/CAS INS TR ACCT (921) U/F (921)</u>				
ASSETS				
Cash in State Treasury	\$ 316,088.00	\$ 316,088.00	\$ 320,088.00	\$ 312,088.00
Other Assets	963,752,583.25	940,804,999.31	963,752,583.25	940,804,999.31
Total Assets	<u>\$ 964,068,671.25</u>	<u>\$ 941,121,087.31</u>	<u>\$ 964,072,671.25</u>	<u>\$ 941,117,087.31</u>
LIABILITIES				
Funds Held for Others	\$ 964,068,671.25	\$ 941,121,087.31	\$ 964,072,671.25	\$ 941,117,087.31
Total Liabilities	<u>\$ 964,068,671.25</u>	<u>\$ 941,121,087.31</u>	<u>\$ 964,072,671.25</u>	<u>\$ 941,117,087.31</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, 2003

	Beginning Balance September 1, 2002	Additions	Deductions	Ending Balance August 31, 2003
UNCLAIMED DIVIDEND TRUST FUND (0923) U/F (0923)				
ASSETS				
Cash in State Treasury	\$ 493,646.88	\$ 972,855.18	\$ 908,579.55	\$ 557,922.51
Total Assets	<u>\$ 493,646.88</u>	<u>\$ 972,855.18</u>	<u>\$ 908,579.55</u>	<u>\$ 557,922.51</u>
LIABILITIES				
Funds Held for Others	\$ 493,646.88	\$ 972,855.18	\$ 908,579.55	\$ 557,922.51
Total Liabilities	<u>\$ 493,646.88</u>	<u>\$ 972,855.18</u>	<u>\$ 908,579.55</u>	<u>\$ 557,922.51</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 814,684.88	\$ 5,185,592.65	\$ 5,126,067.02	\$ 874,210.51
Other Assets	963,752,583.25	940,804,999.31	963,752,583.25	940,804,999.31
Total Assets	<u>\$ 964,567,268.13</u>	<u>\$ 945,990,591.96</u>	<u>\$ 968,878,650.27</u>	<u>\$ 941,679,209.82</u>
LIABILITIES				
Funds Held for Others	\$ 964,567,268.13	\$ 945,990,591.96	\$ 968,878,650.27	\$ 941,679,209.82
Total Liabilities	<u>\$ 964,567,268.13</u>	<u>\$ 945,990,591.96</u>	<u>\$ 968,878,650.27</u>	<u>\$ 941,679,209.82</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, 2003

	Surplus Lines Stamping Office of Texas (9999) U/F (3999)	Texas Health Reinsurance System (9999) U/F (3999)	Texas Health Insurance Risk Pool (9999) U/F (3999)	Totals (Ex III)
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank	\$ 322,457.00	\$ 643,126.00	\$ (7,512,009.00)	\$ (6,546,426.00)
Cash Equivalents	4,691,053.00		6,462,110.00	11,153,163.00
Short Term Investments			32,869,300.00	32,869,300.00
Receivables from:				
Interest and Dividends	-			-
Accounts Receivable	541,177.00		1,043,386.00	1,584,563.00
Other	162,814.00	6,518,624.00		6,681,438.00
Total Current Assets	<u>5,717,501.00</u>	<u>7,161,750.00</u>	<u>32,862,787.00</u>	<u>45,742,038.00</u>
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Furniture and Equipment	2,810,602.00		25,876.00	2,836,478.00
Less Accumulated Depreciation	(977,940.00)		(16,848.00)	(994,788.00)
Other Non-Current Assets	18,705.00		1,423.00	20,128.00
Total Non-Current Assets	<u>1,851,367.00</u>	<u>-</u>	<u>10,451.00</u>	<u>1,861,818.00</u>
Total Assets	<u>7,568,868.00</u>	<u>7,161,750.00</u>	<u>32,873,238.00</u>	<u>47,603,856.00</u>
LIABILITIES				
Current Liabilities:				
Payables from:				
Accounts	192,046.00	48,700.00	796,230.00	1,036,976.00
Deferred Revenue			14,877,008.00	14,877,008.00
Other Liabilities	72,606.00	5,613,050.00	1,100,000.00	6,785,656.00
Notes and Loans Payable		1,500,000.00		1,500,000.00
Total Current Liabilities	<u>264,652.00</u>	<u>7,161,750.00</u>	<u>16,773,238.00</u>	<u>24,199,640.00</u>
Non-Current Liabilities:				
Other Liabilities			16,100,000.00	16,100,000.00
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>16,100,000.00</u>	<u>16,100,000.00</u>
Total Liabilities	<u>264,652.00</u>	<u>7,161,750.00</u>	<u>32,873,238.00</u>	<u>40,299,640.00</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,832,662.00			1,832,662.00
Unrestricted	5,471,554.00	-		5,471,554.00
Total Net Assets	<u>\$ 7,304,216.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,304,216.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2002. 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, 2003

	Surplus Lines Stamping Office of Texas (9999) U/F (3999)	Texas Health Reinsurance System (9999) U/F (3999)	Texas Health Insurance Risk Pool (9999) U/F (3999)	Totals (Ex IV)
OPERATING REVENUES:				
Sales of Goods and Services:				
Other Sales of Goods and Services	\$ 5,527,314.00	\$ -	\$ -	\$ 5,527,314.00
Premium Revenue		1,943,616.00	93,674,088.00	95,617,704.00
Interest and Investment Income	39,517.00	27,052.00	739,384.00	805,953.00
Other Operating Revenues	2,418.00	7,595,208.00	54,215,951.00	61,813,577.00
Total Operating Revenues	<u>5,569,249.00</u>	<u>9,565,876.00</u>	<u>148,629,423.00</u>	<u>163,764,548.00</u>
OPERATING EXPENSES:				
Salaries and Wages	1,039,754.00		201,939.00	1,241,693.00
Payroll Related Costs	350,487.00			350,487.00
Professional Fees and Services	172,197.00		11,284,183.00	11,456,380.00
Travel	2,509.00		1,304.00	3,813.00
Materials and Supplies	101,801.00		49,491.00	151,292.00
Communication and Utilities	16,487.00			16,487.00
Repairs and Maintenance	16,987.00			16,987.00
Rentals and Leases	285,978.00		36,862.00	322,840.00
Printing and Reproduction	9,563.00			9,563.00
Depreciation and Amortization	340,447.00		5,093.00	345,540.00
Other Operating Expenses	159,850.00	10,051,104.00	137,050,551.00	147,261,505.00
Total Operating Expenses	<u>2,496,060.00</u>	<u>10,051,104.00</u>	<u>148,629,423.00</u>	<u>161,176,587.00</u>
Operating Income (Loss)	<u>3,073,189.00</u>	<u>(485,228.00)</u>	<u>-</u>	<u>2,587,961.00</u>
Change in Net Assets	<u>3,073,189.00</u>	<u>(485,228.00)</u>	<u>-</u>	<u>2,587,961.00</u>
Total Net Assets, September 1, 2002	4,463,538.00	485,228.00		4,948,766.00
Restatements	(232,511.00)			(232,511.00)
Total Net Assets, September 1, 2002, as Restated	<u>4,231,027.00</u>	<u>485,228.00</u>	<u>-</u>	<u>4,716,255.00</u>
Total Net Assets, August 31, 2003	<u>\$ 7,304,216.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,304,216.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2002. 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-3 - Combining Statement of Cash Flows -
Discretely Presented Proprietary Component Units

For the Fiscal Year Ended August 31, 2003

	Surplus Lines Stamping Office of Texas (9999) U/F (3999)	Texas Health Reinsurance System (9999) U/F (3999)	Texas Health Insurance Risk Pool (9999) U/F (3999)	Totals (Ex V)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 5,517,426.00	\$ 2,090,255.00	\$ 97,472,162.00	\$ 105,079,843.00
Proceeds from Loan Programs		1,000,000.00		1,000,000.00
Proceeds from Other Revenues	39,517.00	5,800,000.00	37,589,381.00	43,428,898.00
Payments to Suppliers for Goods and Services	(917,678.00)	(226,764.00)	(146,281,930.00)	(147,426,372.00)
Payments to Employees	(1,349,032.00)			(1,349,032.00)
Payments to Other Expenses		(8,661,723.00)		(8,661,723.00)
Net Cash Provided by Operating Activities	<u>3,290,233.00</u>	<u>1,768.00</u>	<u>(11,220,387.00)</u>	<u>(7,928,386.00)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments for Other Uses			417.00	417.00
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>417.00</u>	<u>417.00</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the Sale of Capital Assets	855.00			855.00
Payments for Additions to Capital Assets	(761,261.00)			(761,261.00)
Net Cash Provided by Capital and Related Financing Activities	<u>(760,406.00)</u>	<u>-</u>	<u>-</u>	<u>(760,406.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales of Investments	-		91,054,692.00	91,054,692.00
Proceeds from Interest and Investment Income			(614,838.00)	(614,838.00)
Payments to Acquire Investments			(84,262,521.00)	(84,262,521.00)
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>6,177,333.00</u>	<u>6,177,333.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,529,827.00	1,768.00	(5,042,637.00)	(2,511,042.00)
Cash and Cash Equivalents--September 1, 2002	2,483,683.00	641,358.00	3,992,738.00	7,117,779.00
Restatement to Beginning Cash & Cash Equivalents				-
Cash and Cash Equivalents--August 31, 2003	<u>\$ 5,013,510.00</u>	<u>\$ 643,126.00</u>	<u>\$ (1,049,899.00)</u>	<u>\$ 4,606,737.00</u>

Note A - These Component Units have a fiscal year end of December 31, 2002. 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-3 - Combining Statement of Cash Flows
Discretely Presented Proprietary Component Units (con't)

For the Fiscal Year Ended August 31, 2003

	Surplus Lines Stamping Office of Texas (9999) U/F (3999)	Texas Health Reinsurance System (9999) U/F (3999)	Texas Health Insurance Risk Pool (9999) U/F (3999)	Totals (Ex V)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 3,073,189.00	\$ (485,228.00)	\$ -	\$ 2,587,961.00
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Amortization and Depreciation	340,447.00	-	5,093.00	345,540.00
Loss on sale of capital assets	818.00			818.00
Cumulative effect of change in Accounting Principle	(232,511.00)			(232,511.00)
Operating Income and Cash Flow Categories:				
Classification Differences				
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	102,600.00	(1,675,621.00)	945,955.00	(627,066.00)
(Increase) Decrease in Prepaid Expenses	(155,188.00)			(155,188.00)
(Increase) Decrease in Loans & Contracts		1,000,000.00		1,000,000.00
(Increase) Decrease in Other Assets		-		-
Increase (Decrease) in Payables	160,733.00	(31,027.00)	2,342,400.00	2,472,106.00
Increase (Decrease) in Deferred Income			(14,513,835.00)	(14,513,835.00)
Increase (Decrease) in Other Liabilities	145.00	1,193,644.00		1,193,789.00
Total Adjustments	<u>217,044.00</u>	<u>486,996.00</u>	<u>(11,220,387.00)</u>	<u>(10,516,347.00)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,290,233.00</u>	<u>\$ 1,768.00</u>	<u>\$ (11,220,387.00)</u>	<u>\$ (7,928,386.00)</u>
Non Cash Transactions				
Net Increase (Decrease) in Fair Value of Investments			\$ -	-

Note A - These Component Units have a fiscal year end of December 31, 2002. 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)
Schedule 1A - Schedule Of Expenditures Of Federal Awards

For the fiscal year ended August 31, 2003

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Identifying Number	Pass-Through From			Direct Program Amount
			Agy./ Univ. #	Agencies or Univ. Amount	Non-State Entities Amount	
U.S. Dept of Health and Human Svcs						
Direct Program:						
State Planning Grant	93.000	6 P09 OA 00030-01		\$ -	\$ -	\$ 80,980.08
Pass-Through From:						
Texas Department on Aging						
Health Care Financing Research, Demonstrations, and Evaluations	93.779		340	56,955.00		
Total U.S. Dept. of Health and Human Svcs				<u>56,955.00</u>		<u>80,980.08</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 56,955.00</u>	<u>\$ -</u>	<u>\$ 80,980.08</u>

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

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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		
\$ 80,980.08		\$ -	\$ -	\$ 80,980.08	\$ 80,980.08
<u>56,955.00</u>				<u>56,955.00</u>	<u>56,955.00</u>
<u>137,935.08</u>				<u>137,935.08</u>	<u>137,935.08</u>
<u>\$ 137,935.08</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,935.08</u>	<u>\$ 137,935.08</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	\$ 80,980.08
Federal Grant Pass-Through Revenue	<u>56,955.00</u>

Total Pass-Through and Expenditures per Federal Schedule	<u>\$ 137,935.08</u>
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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

For the fiscal year ended August 31, 2003

REVENUES COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE

REVENUES FUND 0036

	AMOUNT
FEDERAL FUNDS	
Fund 0036 - Department of Aging Contract - Federal Pass-Through	\$ 56,955.00
Fund 0036 - State Planning Grant	24,684.87
TOTAL FEDERAL FUNDS	81,639.87
LICENSES, FEES AND PERMITS	
Fund 0036 - Catastrophic Pool Inspection Fees	16,180.00
Fund 0036 - License Fee - Title Insurance Companies	166,632.45
Fund 0036 - Domestic Filing Fees - Life	205,373.86
Fund 0036 - Foreign Filing Fees - Life	71,443.00
Fund 0036 - Domestic Filing Fees - Property and Casualty	190,185.26
Fund 0036 - Foreign Filing Fees - Property and Casualty	100,643.73
Fund 0036 / Fund 905 - License Fees - Insurance Adjusters and Agents	10,408,655.04
Fund 0036 - Agents Certification and Clearance Letters	1,092,676.02
Fund 0036 - Filing Fees - Third Party Administrators	96,219.00
Fund 0036 - Filing Fees - Risk Retention & Purchasing Groups	14,924.01
Fund 0036 - Examination Fees - Salaries and Travel Expense	2,828,508.13
Fund 0036 - Examination Q of C Sal/Travel	120,492.27
Fund 0036 - Examination Fees - Overhead Assessment	11,518,403.66
Fund 0036 - Filing Fees - Policy Approval	633,998.00
Fund 0036 - Filing Fees - Health Maintenance Organizations	121,373.00
Fund 0036 - Filing Fees - Insurance Premium Finance	77,221.00
Fund 0036 - Examination and Assessment Fees - Insurance Premium Finance	265,307.92
Fund 0036 - Amusement Ride Safety Inspections	66,680.00
Fund 0036 - State Fire Marshal Fees	1,803,664.50
Fund 0036 - Miscellaneous Certification Fees	4,834.32
Fund 0036 - Administrative Fees	69,657.30
TOTAL LICENSES, FEES, AND PERMITS	29,873,072.47
SALES OF GOODS AND SERVICES	
Fund 0036 - Sale of Lists, Bulletins, Rating Data, etc.	47,328.34
Fund 0036 - Sale of Computer Lists, Labels or Tapes	11,210.42
TOTAL SALES OF GOODS AND SERVICES	58,538.76
OTHER REVENUES	
Fund 0036 - Warrants Voided By Statute of Limitations	9,927.88
Fund 0036 - Reimbursements - Third Party	1,408,057.29
Fund 0036 - Reimbursement of Conservation Expenses	198,978.84
Fund 0036 - Other Miscellaneous Governmental Revenue	12,209.06
TOTAL OTHER REVENUES	1,629,173.07
TOTAL FUND 0036 REVENUES	\$ 31,642,424.17

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

For the fiscal year ended August 31, 2003

REVENUES FUND 00001/0905	AMOUNT
FEDERAL FUNDS	
Fund 0001 - State Planning Grant - Federal Receipts	\$ 56,295.21
LICENSES, FEES, AND PERMITS	
Fund 0001 - Subscription Fees Agents License	1,500.00
Fund 0905 - License Fees - Insurance Adjusters and Agents	(864.71)
SALE OF GOODS AND SERVICES	
Fund 0001 - Sale Of Goods and Services	215.49
TOTAL GENERAL REVENUE COLLECTIONS	57,145.99
 AGENCY FUNDS COLLECTIONS	
Fund 0001 - State Sales Tax/Discounts	3,225.70
Fund 0001 - Viatical Settlement Registration Fees	15,200.00
Fund 0001 - Utilization Review Fees	87,170.00
Fund 0001 - Filing Fees - Continuing Care Facilities	18,001.00
Fund 0001 - Returned Check Fees	600.00
Fund 0001 - Retaliatory Fees	80.00
Fund 0923 - Interest Earned Unclaimed Dividend Trust Account Fund	4,509.61
Fund 0001 - Judgments (Secured by Court Action)	4,859.84
Fund 0001 - Penalty In Lieu of Suspension/Cancellation	1,212,843.21
Fund 0001 - Other Miscellaneous Governmental Revenue	4,039.95
Fund 0882 - City/MTA Sales Tax Trust	1,027.82
Fund 0001 - SFMO-Fireworks, Educ Safety	65,830.00
Fund 0001 - Specialty Insurance Agents Lic	215,160.00
Fund 0001 - Continuing Ed. Provider Fees	155,994.50
TOTAL AGENCY FUNDS COLLECTIONS	1,788,541.63
TOTAL FUNDS 0036, 0001, and 0905 REVENUES/AGENCY FUND COLLECTIONS - TDI	33,488,111.79
 <u>TRANSFERS IN</u>	
From Comptroller of Public Accounts:	
Fund 0036 - Motor Vehicle Maintenance Tax	6,935,608.30
Fund 0036 - Fire and Allied Lines Maintenance Tax	24,252,842.65
Fund 0036 - Workers' Compensation Maintenance Tax	2,456,764.08
Fund 0036 - Casualty Maintenance Tax	7,355,917.74
Fund 0036 - Title Maintenance Fee	979,951.04
Fund 0036 - Life/Accident and Health Maintenance Tax	9,991,609.79
Fund 0036 - Third Party Administrator Maintenance Tax	1,026,787.49
Fund 0036 - Health Maintenance Organization Maintenance Tax	2,754,997.15
Fund 0036 - Prepaid Legal Services Maintenance Tax	708.93
Fund 0036 - Domestic Valuation Fees - Life	3,828,981.21
Fund 0036 - Annual Statement Filing Fees	246,752.26
TOTAL REVENUES TRANSFERRED FROM COMPTROLLER OF PUBLIC ACCOUNTS	59,830,920.64
From Other Sources:	
Fund 0036 - From Catastrophe Reserve Trust Fund	1,000,000.00
Fund 0036 - From Sale of Fixed Assets	662.58
Fund 0001 - From Sale of Fixed Assets	4,987.80
Fund 0905 - From Sale of Fixed Assets	(662.58)
TOTAL REVENUES FROM TRANSFERS IN	1,004,987.80
TOTAL REVENUES/TRANSFERS IN	\$ 94,324,020.23

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

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

1994 - 2003

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES & FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
1994	\$ 101,204,844.39	\$ 23,200,415.00	\$ 6,118,120.00	\$ 130,523,379.39
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

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

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are an integral part of this statement