



Texas Department of Insurance

333 Guadalupe Street P.O. Box 149104 Austin, Texas 78714-9104
512/463-6464 Fax: 512/475-2005

Jose Montemayor
Commissioner of Insurance

November 19, 1999

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

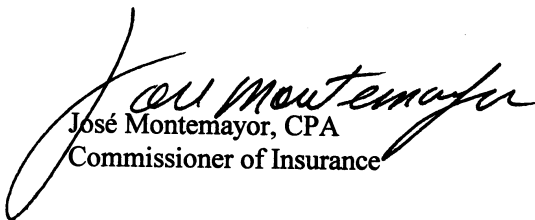
Dear Public Officials:

We are pleased to submit the Annual Financial Report of the Texas Department of Insurance for the year ended August 31, 1999, in compliance with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report will be considered for audit by the State Auditor as part of the audit of the statewide annual financial report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Joe Meyer at 512-463-6143.

Sincerely,


José Montemayor, CPA
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 1999**

TABLE OF CONTENTS

GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit I	- Combined Balance Sheet: All Fund Types and Account Groups and Discretely Presented Component Unit	140-141
Exhibit II	- Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	142-143
Exhibit IV	- Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Discretely Presented Component Unit	144
Exhibit V	- Combined Statement of Cash Flows - All Proprietary Fund Types and Discretely Presented Component Unit	145

NOTES TO THE FINANCIAL STATEMENTS	147-157
--	----------------

COMBINING FINANCIAL STATEMENTS

Exhibit A-1	- Combining Statement of Changes in Assets and Liabilities - All Agency Funds	158-159
-------------	---	----------------

SCHEDULES

Schedule 1A	- Schedule of Expenditures of Federal Awards	160-161
Schedule 2	- Summary of Revenues	162-163
Schedule 2A	- Comparative Statement of Revenues	164
Schedule 3	- Appropriation Item Transfers	165
Schedule 4	- HUB Strategic Plan Progress Report	166
Schedule 5	- Indirect Costs	167
Schedule 6	- Professional/Consulting Fees and Legal Service Fees	168
Schedule 7	- Summary of Leased Space	169

ADDENDUM - General Comments	170
------------------------------------	------------

ORGANIZATION CHART	viii
---------------------------	-------------

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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

August 31, 1999

	GOVERNMENTAL FUNDS		FIDUCIARY FUNDS	ACCOUNT GROUPS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	AGENCY (EXH A-1)	GENERAL FIXED ASSETS
	\$	\$	\$	\$
ASSETS				
Cash and Temporary Investments:				
Cash on Hand	685.00			
Cash in Banks (Note 3)	45,000.00	1,387,219.95	28,000.00	
Cash in State Treasury *	46,631,474.40		10,027,746.60	
Short-Term Investments (Note 3)		2,311,096.45	438,797,770.94	
Investments (Note 3)			737,648,440.28	
Receivables:				
Interest and Dividends Receivable				
Accounts Receivable	453,500.22	66,027.13	4,097.97	
Due From Other Funds (Note 7)	7,955.56			
Consumable Inventories	146,872.99			
Fixed Assets: (Note 2)				
Furniture and Equipment				9,826,683.67
Vehicles				646,108.96
Other Fixed Assets				85,869.36
Less: Accumulated Depreciation				
Amounts to be Provided in Future Years (Note 4)				
TOTAL ASSETS	<u>\$ 47,285,488.17</u>	<u>\$ 3,764,343.53</u>	<u>\$ 1,186,506,055.79</u>	<u>\$ 10,558,661.99</u>
LIABILITIES				
Payables				
Accounts Payable	6,559,556.17	1,136,878.88		
Due to Other Funds (Note 7)	478,187.48			
Employees' Compensable Leave (Note 4)				
Funds Held For Others			1,186,506,055.79	
TOTAL LIABILITIES	<u>7,037,743.65</u>	<u>1,136,878.88</u>	<u>1,186,506,055.79</u>	<u>0.00</u>
FUND EQUITY				
Investment in General Fixed Assets				10,558,661.99
Retained Earnings Unreserved				
Fund Balances				
Reserved for -				
Encumbrances	721,029.55			
Imprest Accounts	45,685.00			
Inventory	146,872.99			
Unreserved / Undesignated	39,334,156.98	2,627,464.65		
TOTAL FUND EQUITY	<u>40,247,744.52</u>	<u>2,627,464.65</u>	<u>0.00</u>	<u>10,558,661.99</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 47,285,488.17</u>	<u>\$ 3,764,343.53</u>	<u>\$ 1,186,506,055.79</u>	<u>\$ 10,558,661.99</u>
	* Cash in Treasury			
General Revenue	\$ 0.00			
Consolidated/Dedicated Account 0036	46,631,474.40			
Total	<u>\$ 46,631,474.40</u>			

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

UNAUDITED

ACCOUNT GROUPS GENERAL LONG-TERM DEBT	TOTALS		TOTALS	
	Primary Government	Component Unit	Memorandum Only	Reporting Entity
	1999	Proprietary	1999	
\$	\$	\$	\$	
	685.00		685.00	
	1,460,219.95	64,771.00	1,524,990.95	
	56,659,221.00		56,659,221.00	
	441,108,867.39		441,108,867.39	
	737,648,440.28	1,935,602.00	739,584,042.28	
		57,790.00	57,790.00	
	523,625.32	187,839.00	711,464.32	
	7,955.56		7,955.56	
	146,872.99		146,872.99	
	9,826,683.67	1,096,111.00	10,922,794.67	
	646,108.96		646,108.96	
	85,869.36		85,869.36	
		(792,714.00)	(792,714.00)	
3,641,182.09	3,641,182.09		3,641,182.09	
<u>\$ 3,641,182.09</u>	<u>\$ 1,251,755,731.57</u>	<u>\$ 2,549,399.00</u>	<u>\$ 1,254,305,130.57</u>	
\$	\$	\$	\$	
	7,696,435.05	106,003.00	7,802,438.05	
	478,187.48		478,187.48	
3,641,182.09	3,641,182.09		3,641,182.09	
	1,186,506,055.79		1,186,506,055.79	
<u>3,641,182.09</u>	<u>1,198,321,860.41</u>	<u>106,003.00</u>	<u>1,198,427,863.41</u>	
\$	\$	\$	\$	
	10,558,661.99		10,558,661.99	
		2,443,396.00	2,443,396.00	
	721,029.55		721,029.55	
	45,685.00		45,685.00	
	146,872.99		146,872.99	
	41,961,621.63		41,961,621.63	
0.00	53,433,871.16	2,443,396.00	55,877,267.16	
<u>\$ 3,641,182.09</u>	<u>\$ 1,251,755,731.57</u>	<u>\$ 2,549,399.00</u>	<u>\$ 1,254,305,130.57</u>	

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

**EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**

For the fiscal year ended August 31, 1999

	GOVERNMENTAL FUNDS		TOTALS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	Memorandum Only Primary Government 1999
	\$	\$	\$
REVENUES			
Federal Pass-Through Revenue (Sch 1A)	45,540.45		45,540.45
Licenses, Fees and Permits	21,956,603.09		21,956,603.09
Interest and Other Investment Income		77,316.56	77,316.56
Sales of Goods and Services	139,597.11		139,597.11
Other Revenue	1,429,244.09	905,887.03	2,335,131.12
TOTAL REVENUES	23,570,984.74	983,203.59	24,554,188.33
EXPENDITURES			
Salaries and Wages	38,534,372.43	395,981.43	38,930,353.86
Payroll Related Costs	8,878,774.78		8,878,774.78
Professional Fees and Services (Sch 6)	636,352.01	13,065.00	649,417.01
Travel	1,424,315.45	5,619.16	1,429,934.61
Materials and Supplies	1,963,190.26	4,303.63	1,967,493.89
Communication and Utilities	1,081,421.99	24,951.56	1,106,373.55
Repairs and Maintenance	879,994.49	9,986.64	889,981.13
Rentals and Leases	397,706.16	365,652.25	763,358.41
Printing and Reproduction	458,442.51		458,442.51
Claims and Judgments	124,456.66		124,456.66
Other Expenditures	1,778,258.11	3,012,981.83	4,791,239.94
Debt Service - Interest	2,072.63		2,072.63
Capital Outlay	1,334,901.88		1,334,901.88
TOTAL EXPENDITURES	57,494,259.36	3,832,541.50	61,326,800.86
EXCESS OF REVENUES OVER EXPENDITURES	(33,923,274.62)	(2,849,337.91)	(36,772,612.53)

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

EXHIBIT II (Continued)
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the fiscal year ended August 31, 1999

	GOVERNMENTAL FUNDS		TOTALS
	GENERAL REVENUE (0036) U/F(0036)	SPECIAL REVENUE (9999) U/F(1999)	Memorandum Only Primary Government 1999
	\$	\$	\$
OTHER FINANCING SOURCES (USES)			
Operating Transfers-In: (Agency 902, Fund 0001)	46,421,079.80		46,421,079.80
Operating Transfers-Out: (Agency 241, Fund 0036)	(1,082,105.96)		(1,082,105.96)
(Agency 302, Fund 0036)	(3,325,381.13)		(3,325,381.13)
(Agency 303, Fund 0036)	(3,795,145.00)		(3,795,145.00)
(Agency 353, Fund 0001)	(1,193.57)		(1,193.57)
(Agency 411, Fund 0036)	(3,141,541.13)		(3,141,541.13)
(Agency 902, Fund 0001)	(888,879.00)		(888,879.00)
Sale of General Fixed Assets	5,600.49		5,600.49
TOTAL OTHER FINANCING SOURCES (USES)	34,192,434.50	0.00	34,192,434.50
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	269,159.88	(2,849,337.91)	(2,580,178.03)
FUND BALANCES - BEGINNING OF YEAR	39,940,441.50	5,476,802.56	45,417,244.06
Net Change in Reserve for Inventories	38,143.14		38,143.14
FUND BALANCES - END OF YEAR (EXH I)	\$ 40,247,744.52	\$ 2,627,464.65	\$ 42,875,209.17

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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

For the fiscal year ended August 31, 1999

	<u>PROPRIETARY FUND</u> Surplus Lines Stamping Office of Texas 1999	<u>TOTAL</u> 1999
	\$	\$
OPERATING REVENUES:		
Sales of Goods and Services	1,501,639.00	1,501,639.00
Other Operating Revenues	<u>166,743.00</u>	<u>166,743.00</u>
TOTAL REVENUES	<u>1,668,382.00</u>	<u>1,668,382.00</u>
EXPENSES:		
Salaries and Wages	813,645.00	813,645.00
Payroll Related Costs	232,489.00	232,489.00
Professional Fees and Services (Sch 6)	128,972.00	128,972.00
Travel	4,086.00	4,086.00
Materials and Supplies	129,903.00	129,903.00
Communication and Utilities	11,306.00	11,306.00
Repairs and Maintenance	14,969.00	14,969.00
Rentals and Leases	270,053.00	270,053.00
Depreciation and Amortization	74,462.00	74,462.00
Other Operating Expenses	<u>121,719.00</u>	<u>121,719.00</u>
TOTAL EXPENSES	<u>1,801,604.00</u>	<u>1,801,604.00</u>
EXCESS OF REVENUES OVER EXPENSES	(133,222.00)	(133,222.00)
FUND BALANCES - BEGINNING OF YEAR	<u>2,576,618.00</u>	<u>2,576,618.00</u>
FUND BALANCES - END OF YEAR (EXH I)	<u>\$ 2,443,396.00</u>	<u>\$ 2,443,396.00</u>
	(Note A)	

Note A - This Component Unit has a fiscal year end of December 31, 1998. Financial information presented is representative of that fiscal year date.

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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

For the fiscal year ended August 31, 1999

	PROPRIETARY FUND <hr/> SURPLUS LINES STAMPING OFFICE OF TEXAS - 1999 <hr/>	TOTAL <hr/> 1999 <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	\$	\$
Proceeds received from customers	1,473,212.00	1,473,212.00
Proceeds from other revenues	159,074.00	159,074.00
Payments to suppliers for goods and services	<u>(1,691,650.00)</u>	<u>(1,691,650.00)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(59,364.00)	(59,364.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for additions to fixed assets	<u>(255,305.00)</u>	<u>(255,305.00)</u>
NET CASH PROVIDED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:	(255,305.00)	(255,305.00)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,350,000.00	1,350,000.00
Payments to acquire investments	<u>(1,150,000.00)</u>	<u>(1,150,000.00)</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES:	<u>200,000.00</u>	<u>200,000.00</u>
Increase (decrease) in cash	(114,669.00)	(114,669.00)
Cash and cash equivalents - Beginning	<u>179,440.00</u>	<u>179,440.00</u>
Cash and cash equivalents December 31, 1998	<u>\$ 64,771.00</u>	<u>\$ 64,771.00</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	\$
Operating income (loss)	(133,222.00)	(133,222.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	74,462.00	74,462.00
Unrealized (gain) loss	(28,132.00)	(28,132.00)
Change in assets and liabilities		
(Increase) Decrease in receivables	(7,964.00)	(7,964.00)
Increase (Decrease) in payables	30,570.00	30,570.00
Increase (Decrease) in other liabilities	<u>4,922.00</u>	<u>4,922.00</u>
Total Adjustments	<u>73,858.00</u>	<u>73,858.00</u>
Net Cash Provided by Operating Activities	<u>\$ (59,364.00)</u>	<u>\$ (59,364.00)</u>
	(Note A)	

Note A - This Component Unit has a fiscal year end of December 31, 1998. Financial information presented is representative of that fiscal year date

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

This page left intentionally blank.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A: ENTITY

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

Blended Component Units

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

Discrete Component Units

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

- The Surplus Lines Stamping Office of Texas was created in August, 1987, by the 70th Legislature of the State of Texas to assist the Texas Department of Insurance in the regulation of surplus lines insurance and encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of the Texas Department of Insurance. Operating procedures for the administration of the Stamping Office are approved by the Texas Department of Insurance.
- Administrative Office:
 - Surplus Lines Stamping Office of Texas
 - P.O. Box 9906
 - Austin, Texas 78766-0906

B: FUND STRUCTURE

The accounts of the Agency are presented on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a complete set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The funds and account groups used to reflect the Agency's transactions are as follows:

GOVERNMENTAL FUND TYPES

General Fund

The general fund is used to account for all financial resources of the State except those required to be accounted for in another fund.

Special Revenue Funds

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

PROPRIETARY FUND TYPES

Enterprise Funds

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets held as an agent for individuals, other government entities, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Account Group

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

General Long-Term Debt Account Group

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

COMPONENT UNITS

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

C: MEMORANDUM TOTALS

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

D: BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave and the unmatured debt service on long-term capital leases, which are not recognized until actual payment is made. The principal of this long-term liability is reported in the General Long-Term Debt Account Group.

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

E: BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

F: ASSETS, LIABILITIES AND FUND EQUITY

ASSETS

Cash and Cash Equivalents

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

Investments

Certain investments consist of U. S. government securities and are stated at fair value. Realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets.

Certain other investments are stated at cost or at amortized cost. Premiums and discounts in proprietary funds are amortized on a straight line basis over the life of the investments. If market value is significantly below cost and the decline is more than temporary, then investments should be shown at market value.

Inventories

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

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

Fixed Assets

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

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

LIABILITIES

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave

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

RESERVATIONS/DESIGNATIONS OF FUND EQUITY

Reserved for Encumbrances

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

Reserved for Consumable Inventories

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

Reserved for Imprest Accounts

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

INTERFUND TRANSACTIONS AND BALANCES

Quasi-External Transactions

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

Operating Transfers

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

The composition of the agency's interfund receivables and payables at August 31, 1999, is presented in Note 7.

NOTE 2: FIXED ASSETS

A summary of changes in General Fixed Assets for the year ended August 31, 1999;

<u>Asset Type</u>	<u>Balance 9/1/98</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/99</u>
Furniture & Equipment	\$ 12,500,067.36	\$ (56,475.92)	\$ 1,482,482.59	\$ (4,099,390.36)	\$ 9,826,683.67
Vehicles	669,152.77	(11,471.81)	0.00	(11,572.00)	646,108.96
Other Fixed Assets	82,449.36	0.00	6,070.00	(2,650.00)	85,869.36
Totals	<u>\$ 13,251,669.49</u>	<u>\$ (67,947.73)</u>	<u>\$ 1,488,552.59</u>	<u>\$ (4,113,612.36)</u>	<u>\$ 10,558,661.99</u>

(Exh I)

NOTE 3: DEPOSITS & INVESTMENTS

Article 3.16 of the Insurance Code requires certain life insurance companies incorporated under the laws of the State to deposit with the Agency eligible securities "equal to the legal reserve" on the company's outstanding registered policies and annuity bonds. These securities are maintained in the Treasury Operations Department of the Comptroller of Public Accounts.

The Insurance Code requires title insurance companies to hold a deposit under a joint control agreement with an approved custodian or maintained at the Treasury Operations Department. Life, fire and casualty, mutual assessment companies are required to maintain a deposit with the Treasury Operations Department in an amount as defined in the code. A Lloyd's Plan is required to hold securities in its guaranty fund, which meets the minimum requirements as set out in the Texas Insurance Code either under a joint control agreement with an approved custodian or maintained at the Treasury Operations Department.

Any changes in moneys and/or securities must be approved by the Agency. All deposits are under the supervision of the Agency's Bonds and Securities Officer.

The Agency deposits funds in a local interest bearing bank account for travel advance purposes. The Liquidation Oversight Section of the Financial Division invests funds in a local bank for the Liquidation Oversight Allocation Account, Liquidation Oversight Closing Account, and in the Treasury Operations Department for the Commissioner's Abandoned Property Fund.

Amounts related to the information presented above are appropriately classified and presented below.

DEPOSITS OF CASH IN BANK

- a. The carrying amount of \$10,301,490.95 for Cash in Bank (including discretely presented component units) is presented below.
- b. The bank balance of the Texas Department of Insurance has been classified according to the following risk categories:

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

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

Category 3 - Uncollateralized

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Category 1	Category 2	Category 3	Carrying Amount
<u>\$ 10,236,719.95</u>	<u>\$.00</u>	<u>\$.00</u>	<u>\$ 10,236,719.95</u>

Consisting of the following:

Demand Deposits	\$ 1,437,219.95
Texas Treasury Safekeeping Trust	23,000.00
Subtotal Cash in Bank (Exhibit 1)	\$ 1,460,219.95
Certificates of Deposit	\$ 8,776,500.00
Total Deposits	<u>\$ 10,236,719.95</u>

Deposits for Discretely Presented Component Units are:

Category 1	Category 2	Category 3	Carrying Amount (Exhibit I)
<u>\$ 64,771.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 64,771.00</u>

INVESTMENTS

The Texas Department of Insurance through its agents holds certain securities that are not being held for investment purposes, and TDI or its agents do not actually manage these investments. For these securities, both the carrying amount and the market value of these investments as of the balance sheet date are shown below.

The Texas Department of Insurance through its agents holds other securities for investment purposes. For these securities the fair value as of the balance sheet date are shown below.

Investments are categorized to give an indication of the level of risk assumed by the insurance companies making the deposits. 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	Carrying Amount	Market Value	Fair Value	Total
US Gov't Investments	\$ 502,639,642.30	\$ 502,439,642.30	\$ 516,170,637.30	\$ 100,000.00	\$
Corporate Obligations	170,261,000.00	170,261,000.00	173,901,680.00		
Political Subdivision	50,711,000.00	50,711,000.00	51,242,450.00		
Misc. Investments	25,643,995.28	25,643,995.28	25,643,995.28		
Repurch. Agreements	420,825,170.09			420,825,170.09	
Total Investments	<u>\$ 1,169,980,807.67</u>	<u>\$ 749,055,637.58</u>	<u>\$ 766,958,762.58</u>	<u>\$ 420,925,170.09</u>	\$
Consisting of the Following:					
Short-Term Invest.		\$ 11,507,197.30		\$ 420,925,170.09	\$ 432,432,367.39
Long-Term Invest.		737,548,440.28			737,548,440.28
Total, as above		<u>\$ 749,055,637.58</u>		<u>\$ 420,925,170.09</u>	<u>\$ 1,169,980,807.67</u>

Reconciliation of Short-term Investments and Investments – Primary Government

	Short-Term Investments	Long-Term Investments
As presented above	\$ 432,432,367.39	\$ 737,548,440.28
Certificates of Deposits	8,676,500.00	100,000.00
Total Primary Government- Exhibit I	<u>\$ 441,108,867.39</u>	<u>\$ 737,848,440.28</u>

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Investments for Discretely Presented Component Units are:

Type of Security	Category 1	Carrying Amount	Market Value	Fair Value	Total
US Gov't Investments	\$ 1,935,602.00	\$	\$	\$ 1,935,602.00	\$
Total Investments	<u>\$ 1,935,602.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,935,602.00</u>	<u>\$</u>
Consisting of the Following:					
Long-Term Invest.		\$		\$ 1,935,602.00	\$ 1,935,602.00
Total, as above		<u>\$</u>		<u>\$ 1,935,602.00</u>	<u>\$ 1,935,602.00</u>

NOTE 4: GENERAL LONG-TERM DEBT

During the year ended August 31, 1999, the following changes occurred in liabilities reported in the general long-term debt account.

	Balance 9/1/98	Additions	Deductions	Balance 8/31/99
Compensable Leave	<u>\$ 3,739,989.38</u>	<u>\$ 3,574,502.80</u>	<u>\$ 3,673,310.09</u>	<u>\$ 3,641,182.09</u>

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental and/or Expendable Trust fund types. For these fund types, the liability for unpaid benefits is recorded in the General Long-Term Debt Account Group with a corresponding account designated "Amounts To Be Provided in Future Years". An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 5: CAPITAL LEASES

N/A

NOTE 6: OPERATING LEASE OBLIGATIONS

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

General Revenue	\$ 290,423.12
Special Revenue Funds	365,652.25
Total – Memorandum Only	<u>\$ 656,075.37</u>

Discrete Component Unit:

Proprietary Funds	\$ 270,053.00
Total – Memorandum Only	<u>\$ 270,053.00</u>

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

Year Ended August 31,	
2000	\$ 569,018.40
2001	152,350.32
2002	81,896.40
2003	36,325.20
2004 and beyond	<u>24,216.80</u>
Total Minimum Future Lease Rental Payments	<u>\$ 863,807.12</u>

Discrete Component Unit:

Year Ended December 31,	
1999	\$ 229,179.00
2000	229,179.00
2001	229,179.00
2002	229,179.00
Total Minimum Future Lease Rental Payments	<u>\$ 916,716.00</u>

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 7: INTERFUND BALANCES/ACTIVITIES

As explained in Note 1, on Interfund Transactions and Balances there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as Interfund Receivable or Interfund Payable, Advances From or Advances To, Due From or Due To Other Funds, Transfers In or Transfers Out. Individual balances and activity at August 31, 1999, were as follows:

	Due To Other Funds	Due From Other Funds
GENERAL REVENUE	\$	\$
(Appropriated Fund 0036)		
(Agency 302, Fund 0036) (Act)	262,823.30	
(Agency 320, Fund 0165) (Act)	8,978.56	
(Agency 411, Fund 0036) (Act)	169,001.83	
(Agency 479, Fund 0001) (Act)	9,345.90	
(Agency 902, Fund 0001) (Act)	28,037.89	
Federal Pass-Through		
(Agency 340, Fund 0134)		7,955.56
	<u>478,187.48</u>	<u>7,955.56</u>
Total Due To/From (Exh I)	<u>478,187.48</u>	<u>7,955.56</u>
	Operating Transfers In	Operating Transfers Out
GENERAL REVENUE	\$	\$
(Appropriated Fund 0036)		
(Agency 241, Fund 0036) (Act)		1,082,105.96
(Agency 302, Fund 0036) (Act)		3,325,381.13
(Agency 303, Fund 0036) (Act)		3,795,145.00
(Agency 353, Fund 0001) (Act)		1,193.57
(Agency 411, Fund 0036) (Act)		3,141,541.13
(Agency 902, Fund 0001)	46,421,079.80	888,879.00
	<u>46,421,079.80</u>	<u>888,879.00</u>
Total Operating Transfers (Exh II)	<u>\$ 46,421,079.80</u>	<u>\$ 12,234,245.79</u>

NOTE 8: EMPLOYEES RETIREMENT PLANS

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

Discrete Component Unit:

The Stamping Office started a defined contribution pension plan covering substantially all of its employees on July 1, 1990 and amended the plan on July 1, 1994. The Stamping Office contributes 2.5% (3.5% after five years of service), of each covered employee's salary. Employees may contribute up to an additional 15.2% of their covered salary. The Stamping Office will match the employee's additional contributions up to a maximum of 2.5%. Pension costs of the Stamping Office totaled \$53,923 in 1998.

NOTE 9: DEFERRED COMPENSATION

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX.GOV'T. CODE ANN., sec 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the state subject only to the claims of the state's general creditors. Participants' rights under the plan are equal to those of the general creditors of the state in an amount equal to the fair market value of the 457 account for each participant. The state has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future. The state also administers another plan, "Texsaver" created in accordance with Internal Revenue Code Sec. 401(k). However, the assets of this plan do not belong to the state nor does the state have a liability related to this plan.

TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 10: CONTINGENT LIABILITIES

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

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

- Personnel There are two lawsuits against TDI by current or former TDI employees challenging TDI personnel decisions. One lawsuit does not specify an amount sought. The other lawsuit seeks \$267,824.27.
- Liquidation There is one lawsuit containing allegations against TDI in connection with an insolvent insurance company. The exact amount being sought is unclear, although the plaintiffs appear to be seeking around \$8,000,000.00.
- 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.

NOTE 11: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 12: RISK FINANCING AND RELATED INSURANCE

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

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

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates		Claims Payments	Balance at Fiscal Year End
1998	\$ 0.00	\$ 136,312.15	\$ 136,312.15	\$ 0.00	
1999	0.00	122,445.11	122,445.11	0.00	

NOTE 13: SEGMENT INFORMATION

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Information relating to this activity is presented below.

Operating Revenues	\$ 1,668,382.00
Depreciation/Amortization	74,462.00
Operating Income/Loss (operating revenues less operating expenses)	-133,222.00
Operating Transfers In	N/A
Operating Transfers Out	N/A
Net Income/Loss (total revenues less total expenses)	-133,222.00
Net Working Capital*	204,397.00
Total Assets	2,549,399.00
Fund Equity	2,443,396.00
Bonds and other material long-term liabilities	N/A
Property, Plant and Equipment	
Net Addition	255,305.00
*Working Capital Calculation:	
Cash and Temporary Investments	\$ 64,771.00
Receivables	245,629.00
Payables	-106,003.00
Net Working Capital	<u>\$ 204,397.00</u>

NOTE 14: BONDED INDEBTEDNESS
N/A

NOTE 15: SUBSEQUENT EVENTS
N/A

NOTE 16: RELATED PARTIES

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

NOTE 17: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
N/A

NOTE 18: THE FINANCIAL REPORTING ENTITIES & JOINT VENTURES

A. The Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Discretely Presented Component Units:

The **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 board of directors shall consist of 9 members appointed by 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.

TEXAS DEPARTMENT OF INSURANCE (454)

C. Related and Other 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 of insolvency of the member insurer that issued the policies or contracts. The Commissioner shall appoint a board of directors of the association consisting of nine members.

2. **Special Deputy Receivers** are utilized pursuant to Article 21.28 of the TIC. Whenever a court of competent jurisdiction finds that a receiver should take charge of the assets of an insurer domiciled in this State, the Commissioner of Insurance or a person designated by the Commissioner under contract shall act as receiver. The Commissioner uses a competitive bid process in the selection of SDRs and establishes specifications for the position of SDR. If a claim is covered by a guaranty fund created under Article 9.48, 21.28-C or 21.28-D of the TIC, the receiver shall refer the claim to the appropriate guaranty association for processing. As of August 31, 1999, SDRs had on deposit \$172,644,944.09 in the Texas Treasury Safekeeping Trust Co. This deposit is classified as Cash in Bank and Short-Term Investments and reported in Agency Fund 2999. In addition to cash, there are other assets that exist and are in the process of being liquidated.

3. The **Texas Windstorm Insurance Association Board of Directors** was created pursuant to Article 21.49 of the TIC to provide a method whereby adequate windstorm and hail insurance may be obtained in certain designated portions of the State of Texas. The board of directors, who are responsible and accountable to the Commissioner, is composed of nine members. Five are elected by members of the association, two nominated by the Office of Public Insurance Counsel and appointed by the Commissioner and two local recording agents in the catastrophe area who are appointed by the Commissioner. The 5th Circuit U.S. Court of Appeals held in a 1992 opinion that the TWIA is not part of the State of Texas. As of August 31, 1999, TWIA had on deposit \$245,992,129.55 in the Texas Treasury Safekeeping Trust Co. This deposit is classified as Short-Term Investment and reported in Agency Fund 2999.

4. The **Texas Health Insurance Risk Pool** was created in 1989 but it lacked funding. Pursuant to Article 3.77 of the TIC, the purpose of the Pool 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. The pool is governed by a board of directors composed of nine members appointed by the Commissioner. H.B. 710 as passed by the 75th Legislature, Regular Session, required the Pool to be operational by January 1, 1998.

5. The **Texas Property and Casualty Insurance Guaranty Association** was created pursuant to Article 21.28-C of the TIC to (1) provide a mechanism for the payment of covered claims under certain insurance policies to avoid excessive delay in payment; (2) avoid financial loss to claimants or policyholders because of the impairment of an insurer; (3) assist in the detection and prevention of insurer insolvencies; and (4) provide an association to access the cost of that protection among insurers. The board of directors is composed of nine persons, five members approved by the Commissioner and the remaining members appointed by the Commissioner.

6. 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 nine member board of directors shall be appointed by the Commissioner.

7. The **Texas Workers' Compensation Insurance Fund** was created pursuant to Article 5.76-3 of the TIC for the purpose of providing for the acceptance of applications and delivery in this state of workers' compensation insurance and the transaction of workers' compensation insurance business to the same extent as any other insurance carrier transacting workers' compensation insurance business in this state. The board of directors is composed of nine members appointed by the governor with the advice and consent of the Senate. The fund currently is not a member of nor protected by the Texas Property and Casualty Insurance Guaranty Association and is not subject to assessment under the Texas Property and Casualty Insurance Guaranty Act. Pursuant to legislation in the 76th legislature the fund will be a member of and subject to assessment by the Texas Property and Casualty Insurance Guaranty Association in 2000.

Administrative Offices:

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

Texas Property and Casualty Insurance
Guaranty Association
9120 Burnet Road
Austin, TX 78758

Texas Department of Insurance
Liquidation Oversight MC 305-1D
P.O. Box 149104
Austin, TX 78714-9104

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

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

Texas Windstorm Insurance Association
Board of Directors
2028 East Ben White
Austin, TX 78741

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

Texas Workers' Compensation Insurance
Fund
221 West 6th
Austin, TX 78711-2029

NOTE 19: RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

N/A

TEXAS DEPARTMENT OF INSURANCE (454)

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

For the fiscal year ended August 31, 1999

	Balances September 1, 1998	Additions	Deductions	Balances August 31, 1999
	\$	\$	\$	\$
Workers' Compensation Maintenance Tax Surcharge Fund (0897) U/F (0897)				
Assets:				
Cash in State Treasury	7,525,995.92	4,227,224.00	6,935,256.00	4,817,963.92
Liabilities:				
Funds Held for Others	7,525,995.92	4,227,224.00	6,935,256.00	4,817,963.92
Workers' Compensation Maintenance Tax Trust Fund (0897) U/F (8897)				
Assets:				
Cash in State Treasury	0.00	77,160.90	77,160.90	0.00
Liabilities:				
Funds Held for Others	0.00	77,160.90	77,160.90	0.00
Departmental Suspense (0900) U/F (0900)				
Assets:				
Cash in State Treasury	127,496.36	7,084,314.00	7,186,451.27	25,359.09
Liabilities:				
Funds Held for Others	127,496.36	7,084,314.00	7,186,451.27	25,359.09
USPS Overpayments to Employees Fund (0900) U/F (9015)				
Assets:				
Cash in State Treasury	0.00	1,214.28	863.61	350.67
Liabilities:				
Funds Held for Others	0.00	1,214.28	863.61	350.67
Life, Health, Accident and Casualty Insurance Companies Trust Account (0921) U/F (0921)				
Assets:				
Cash in State Treasury	542,986.98	0.00	350,348.98	192,638.00
Investments	651,004,660.72	57,294,779.56	0.00	708,299,440.28
Total Assets	651,547,647.70	57,294,779.56	350,348.98	708,492,078.28
Liabilities:				
Funds Held for Others	651,547,647.70	57,294,779.56	350,348.98	708,492,078.28

TEXAS DEPARTMENT OF INSURANCE (454)

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

For the fiscal year ended August 31, 1999

	Balances September 1, 1998	Additions	Deductions	Balances August 31, 1999
	\$	\$	\$	\$
Insurance Companies Unclaimed Dividend Trust Account (0923) U/F (0923)				
Assets:				
Cash in State Treasury	4,165,795.48	5,322,847.01	4,405,678.91	5,082,963.58
Liabilities:				
Funds Held for Others	4,165,795.48	5,322,847.01	4,405,678.91	5,082,963.58
Texasaver Hold-Transmit 401K Account Account (0942) U/F (0942)				
Assets:				
Cash in State Treasury	0.00	1,046,403.68	1,138,091.34	(91,687.66)
Accounts Receivable	0.00	1,050,492.35	1,046,394.38	4,097.97
Total Assets	0.00	2,096,896.03	2,184,485.72	(87,589.69)
Liabilities:				
Funds Held for Others	0.00	2,096,896.03	2,184,485.72	(87,589.69)
Correction Account for Direct Deposit Fund (0980) U/F (0980)				
Assets:				
Cash in State Treasury	0.00	159.00	0.00	159.00
Liabilities:				
Funds Held for Others	0.00	159.00	0.00	159.00
Custodial Accounts Fund (9999) U/F (2999)				
Assets:				
Cash in Bank	22,831.75	5,168.25	0.00	28,000.00
Short-Term Investments	415,494,179.30	23,303,591.64	0.00	438,797,770.94
Investments	19,521,000.00	9,828,000.00	0.00	29,349,000.00
Total Assets	435,038,011.05	33,136,759.89	0.00	468,174,770.94
Liabilities:				
Funds Held for Others	435,038,011.05	33,136,759.89	0.00	468,174,770.94
Totals - All Agency Funds				
Assets:				
Cash in Bank	22,831.75	5,168.25	0.00	28,000.00
Cash in State Treasury	12,362,274.74	17,759,322.87	20,093,851.01	10,027,746.60
Short-Term Investments	415,494,179.30	23,303,591.64	0.00	438,797,770.94
Investments	670,525,660.72	67,122,779.56	0.00	737,648,440.28
Accounts Receivable	0.00	1,050,492.35	1,046,394.38	4,097.97
Total Assets	1,098,404,946.51	109,241,354.67	21,140,245.39	1,186,506,055.79
Liabilities:				
Funds Held for Others	1,098,404,946.51	109,241,354.67	21,140,245.39	1,186,506,055.79
	\$ 1,098,404,946.51	\$ 109,241,354.67	\$ 21,140,245.39	\$ 1,186,506,055.79

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

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

For the fiscal year ended August 31, 1999

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Identifying Number	Agy./ Univ. #	Pass-Through From		Direct Program Amount
				Agencies or Univ. Amount	Non-State Entities Amount	
Health Care Financing Administration						
Pass-Through From:						
Texas Department on Aging						
Health Care Financing Research, Demonstrations, and Evaluations	93.779		340	\$ 45,540.45	\$ _____	\$ _____
Total Health Care Financing Administration				\$ 45,540.45	\$ _____	\$ _____
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 45,540.45</u>	<u>\$ _____</u>	<u>\$ _____</u>

UNAUDITED

Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
	Agy./ Univ. #	State Agy. or Univ. Amount	Non-State Entities Amount		
\$ <u>45,540.45</u>	\$ _____	\$ _____	\$ _____	\$ <u>45,540.45</u>	\$ <u>45,540.45</u>
\$ <u><u>45,540.45</u></u>	\$ <u>_____</u>	\$ <u>_____</u>	\$ <u>_____</u>	\$ <u><u>45,540.45</u></u>	\$ <u><u>45,540.45</u></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 - Governmental Fund Types (Exh. II):

Federal Pass-Through Revenues	\$ <u>45,540.45</u>
Total Pass-Through and Expenditures per Federal Schedule	\$ <u><u>45,540.45</u></u>

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

**SCHEDULE 2
SUMMARY OF REVENUES**

For the fiscal year ended August 31, 1999

REVENUES COLLECTED BY THE TEXAS DEPARTMENT OF INSURANCE

REVENUES FUND 0036

	<u>AMOUNT</u>
FEDERAL PASS-THROUGH FUNDS	
Fund 0036 - Department of Aging Contract - Federal Pass-Through	\$ 45,540.45
TOTAL FEDERAL PASS THROUGH	<u>45,540.45</u>
LICENSES, FEES, AND PERMITS	
Fund 0036 - Catastrophic Pool Inspection Fees	20,305.00
Fund 0036 - License Fee - Title Insurance Companies	136,370.14
Fund 0036 - Domestic Filing Fees - Life	282,950.50
Fund 0036 - Foreign Filing Fees - Life	78,454.20
Fund 0036 - Domestic Filing Fees - Property and Casualty	220,293.39
Fund 0036 - Foreign Filing Fees - Property and Casualty	106,290.60
Fund 0036 - Retaliatory Fees - Foreign Property and Casualty	50.00
Fund 0036 - License and Exam Fees - Insurance Adjusters and Agents	9,707,304.31
Fund 0036 - Agents Certification and Clearance Letters	757,797.65
Fund 0036 - Filing Fees - Third Party Administrators	99,611.00
Fund 0036 - Examination Fees - Third Party Administrators	5,000.00
Fund 0036 - Filing Fees - Foreign Risk Retention & Purchasing Groups	4,150.00
Fund 0036 - Examination Fees - Salaries and Travel Expense	2,145,859.52
Fund 0036 - Examination Q of C Sal/Travl	177,953.68
Fund 0036 - Examination Fees - Overhead Assessment	5,600,816.49
Fund 0036 - Filing Fees - Policy Approval	666,368.02
Fund 0036 - Filing Fees - Health Maintenance Organizations	207,741.60
Fund 0036 - Filing Fees - Insurance Premium Finance	66,240.00
Fund 0036 - Examination and Assessment Fees - Insurance Premium Finance	161,455.72
Fund 0036 - Amusement Ride Safety Inspections	29,871.00
Fund 0036 - State Fire Marshal Fees	1,422,276.03
Fund 0036 - Life Dom-Filing of Annual Statement	1,500.00
Fund 0036 - Miscellaneous Certification Fees	5,515.05
Fund 0036 - Copy Fees	<u>52,429.19</u>
TOTAL LICENSES, FEES, AND PERMITS	<u>21,956,603.09</u>
SALES OF GOODS AND SERVICES	
Fund 0036 - Sale of Lists, Bulletins, Rating Data, etc.	113,901.70
Fund 0036 - Sale of Computer Lists, Labels or Tapes	24,885.41
Fund 0036 - Miscellaneous Other Sales	<u>810.00</u>
TOTAL SALES OF GOODS AND SERVICES	<u>139,597.11</u>

UNAUDITED

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

OTHER REVENUES	<u>AMOUNT</u>
Fund 0036 - Warrants Voided By Statute of Limitations	\$ 2,369.33
Fund 0036 - Reimbursements - Third Party	1,233,892.16
Fund 0036 - Reimbursement of Conservation Expenses	<u>192,982.60</u>
TOTAL OTHER REVENUES	<u>1,429,244.09</u>
TOTAL FUND 0036 REVENUES	<u>23,570,984.74</u>

AGENCY FUNDS COLLECTIONS

Fund 0001 - State Sales Tax/Discounts	8,718.40
Fund 0001 - Viatical Settlement Registration Fees	8,456.44
Fund 0001 - Utilization Review Fees	198,110.00
Fund 0001 - Filing Fees - Continuing Care Facilities	16,856.00
Fund 0001 - Returned Check Fees	2,250.00
Fund 0001 - Retaliatory Fees	494.00
Fund 0001 - Interest on Local Deposits	422.25
Fund 0897 - Interest on Worker's Compensation Insurance Fund	51,828.51
Fund 0923 - Interest Earned Unclaimed Dividend Trust Account Fund	232,581.77
Fund 0001 - Judgments (Secured by Court Action)	1,418.32
Fund 0001 - Penalty In Lieu of Suspension/Cancellation	3,511,154.89
Fund 0001 - Unauthorized Insurance Penalty	127,400.00
Fund 0001 - Other Miscellaneous Governmental Revenue	430.96
Fund 0882 - City/MTA Sales Tax Trust	<u>2,699.06</u>
TOTAL AGENCY FUNDS COLLECTIONS	<u>4,162,820.60</u>
TOTAL FUND 0036 REVENUES/AGENCY FUND COLLECTIONS - TDI	<u>27,733,805.34</u>

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

Fund 0036 - Motor Vehicle Maintenance Tax	5,390,067.96
Fund 0036 - Fire and Allied Lines Maintenance Tax	17,307,963.98
Fund 0036 - Workers' Compensation Maintenance Tax	2,292,700.73
Fund 0036 - Casualty Maintenance Tax	6,105,488.72
Fund 0036 - Title Maintenance Fee	1,185,191.83
Fund 0036 - Life/Accident and Health Maintenance Tax	6,429,357.25
Fund 0036 - Third Party Administrator Maintenance Tax	635,226.77
Fund 0036 - Health Maintenance Organization Maintenance Tax	4,091,826.08
Fund 0036 - Prepaid Legal Services Maintenance Tax	23,940.56
Fund 0036 - Domestic Valuation Fees - Life	2,800,334.45
Fund 0036 - Annual Statement Filing Fees	<u>158,981.47</u>
TOTAL REVENUES TRANSFERRED TO THE TEXAS DEPARTMENT OF INSURANCE	<u>46,421,079.80</u>
TOTAL REVENUES	<u>\$ 74,154,885.14</u>

Note 1: Amounts shown above for Fund 0001 are collected by the Texas Department of Insurance in an agency capacity.

These revenues have been transferred to Agency 902.

Note 2: Fund 0036 amounts collected by the Texas Department of Insurance are presented as Revenues on Exhibit II under

General Revenue. Fund 0036 amounts transferred from the Comptroller of Public Accounts are presented as

Operating Transfers In on Exhibit II under General Revenue.

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

**SCHEDULE 2A
COMPARATIVE STATEMENT OF REVENUES**

1990 - 1999

<u>FISCAL YEAR</u>	<u>TAXES COLLECTED</u>	<u>LICENSES & FEES</u>	<u>OTHER REVENUES</u>	<u>TOTAL</u>
	\$	\$	\$	\$
1990	559,904,196	20,207,130	1,261,158	581,372,484
1991	619,478,388	19,595,630	1,705,638	640,779,656
1992	516,882,995	26,028,158	2,247,722	545,158,875
1993	461,184,296	28,953,773	3,366,426	493,504,495
1994*	101,204,844	23,200,415	6,118,120	130,523,379
1995*	80,478,984	21,523,266	1,779,561	103,781,811
1996*	55,714,235	27,141,097	2,633,587	85,488,919
1997*	65,420,869	22,144,590	6,484,140	94,049,599
1998*	43,324,253	27,631,504	4,362,699	75,318,456
1999*	43,473,181	25,142,085	5,539,619	74,154,885

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

TEXAS DEPARTMENT OF INSURANCE (454)

SCHEDULE 3 APPROPRIATION ITEM TRANSFERS

For The Fiscal Year Ended August 31, 1999

ITEM OF APPROPRIATION

	<u>Transfers-In</u>	<u>Transfers-Out</u>	<u>Net Transfers</u>
A. Goal: Encourage Fair Competition			
Strategies:			
A.1.1 (13017) Promote Competition	\$ 2,222,735.96	\$ 636,613.56	\$ 1,586,122.40
A.1.2 (13021) Promote Underserved Coverage	155,762.60	123,333.04	32,429.56
A.2.1 (13018) Investigation/Enforcement	447,482.54	1,312,389.44	(864,906.90)
A.2.2 (13023) Insurer Fraud	180,497.74	50,717.82	129,779.92
Total Encourage Fair Competition	<u>\$ 3,006,478.84</u>	<u>\$ 2,123,053.86</u>	<u>\$ 883,424.98</u>
B. Goal: Insurance Industry Financial Health			
Strategies:			
B.1.1 (13022) Insurers Financial Condition	\$ 795,435.66	\$ 995,752.53	\$ (200,316.87)
Total Insurance Industry Financial Health	<u>\$ 795,435.66</u>	<u>\$ 995,752.53</u>	<u>\$ (200,316.87)</u>
C. Goal: Decrease Industry Loss Costs			
Strategies:			
C.1.1 (13019) Loss Control Programs	\$ 223,649.31	\$ 556,945.58	\$ (333,296.27)
C.1.2 (13020) Provider/Consumer Fraud	241,853.15	60,251.80	181,601.35
Total Decrease Industry Loss	<u>\$ 465,502.46</u>	<u>\$ 617,197.38</u>	<u>\$ (151,694.92)</u>
D. Goal: Indirect Administration			
Strategies:			
D.1.1 (13800) Central Administration	\$ 60,318.00	\$ 181,422.76	\$ (121,104.76)
D.1.2 (13801) Information Resources	887.60	475,743.53	(474,855.93)
D.1.3 (13802) Other Support Services	126,622.75	62,075.25	64,547.50
Total Indirect Administration	<u>\$ 187,828.35</u>	<u>\$ 719,241.54</u>	<u>\$ (531,413.19)</u>
NET APPROPRIATION ITEM TRANSFERS	<u><u>\$ 4,455,245.31</u></u>	<u><u>\$ 4,455,245.31</u></u>	<u><u>\$ 0.00</u></u>

* This schedule does not include State Fire Marshal's Office Transfers, Benefit Replacement Pay Transfers, Salary Increase Allocation Transfers, OASI or SEIP Transfers to TIPC.

TEXAS DEPARTMENT OF INSURANCE(454)

**SCHEDULE 4
HUB STRATEGIC PLAN PROGRESS REPORT**


For The Fiscal Year Ended August 31, 1999

Goal = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	Actual for FY '98	Actual for FY '99	Goal for FY '00
Heavy Construction other than building contracts	N/a	N/a	N/a
Building Construction, including general contractors and operative builders contracts	N/a	N/a	N/a
Special Trade Construction contracts	0.0%	0.0%	N/a
Professional Services contracts	0.0%	0.0%	18.1%
Other Services contracts	20.2%	15.3%	33.0%
Commodities contracts	40.9%	21.3%	11.5%

Prepared by: 

Printed Name: Regina B. Durden

Phone Number: (512) 475-1782

Approved: 
(Signature Required)

Printed Name: Karen A. Phillips

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

**SCHEDULE 5
INDIRECT COSTS**

For The Fiscal Year Ended August 31, 1999

A. Payroll Related Costs (reported on Operating Statements)		\$
FICA Employer Matching Contribution	2,856,297.83	
Group Health Insurance	3,658,738.48	
Retirement	2,306,397.89	
Unemployment	<u>57,340.58</u>	
Payroll Related Costs (Exh II)	8,878,774.78	
Workers' Compensation	122,445.11	
Benefit Replacement Pay	<u>818,730.00</u>	
Other Related Costs	941,175.11	
Total Payroll Related Costs		<u>9,819,949.89</u>
B. Indirect Costs (not reported on Operating Statements)		
Bond Debt Service Payments		
GSC	<u>2,765,062.00</u>	
Total Indirect Costs (not reported on Operating Statements)		<u>2,765,062.00</u>
C. Indirect Costs - Statewide Cost Allocation Plan (based on FY 98 data) - (Full Cost Method)		
USAS Depreciation	44,028.00	
(304) Comptroller	159,039.00	
(302) Attorney General - Workers' Comp	25,704.00	
(306) State Library	52,983.00	
(313) Information Resources	53,979.00	
(301) Governor - Budget	2,545.00	
(405) DPS Security	221,196.00	
(303) GSC Purchasing	5,983.00	
GSC Interagency Services	8,000.00	
GSC Bldg & Prop	1,241,793.00	
GSC Design, Construction, & Leasing	32,453.00	
GSC Asbestos	<u>16,217.00</u>	
Total Indirect Costs - Statewide Cost Allocation Plan (Full Cost Method)		<u>1,863,920.00</u>
TOTAL INDIRECT COSTS		<u>\$ 14,448,931.89</u>

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

**SCHEDULE 6
PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES**

For The Fiscal Year Ended August 31, 1999

<u>NAME</u>	<u>TYPE OF SERVICE RENDERED</u>	<u>AMOUNT</u>
Professional/Consulting Fees		
AMI Risk Consultants	Actuarial Services	\$ (111.92) *
Blue Cross Blue Shield	Third Party Administrator Services	19,729.13
Carol Cofer and Associates	Educational/Training Services	1,650.00
Department of Information Resources	Educational/Training Services	2,750.00
Department of Information Resources	Data Processing Services	81,000.00
Digital Equipment Corporation	Educational/Training Services	(85.00) *
Empirical Management Services	Surveying Services	7,090.00
Electronic Regulatory Filing Technologies	Educational/Training Services	600.00
Gene R McConnell	Educational/Training Services	2,300.00
General Services Commission	Cabling Services	4,720.00
Grumman Technical Services	Disaster Recovery Services	9,597.50
Grumman Technical Services	Data Processing Services	54,337.15
Henry Avina	Educational/Training Services	454.20
Humanic Design Corporation	Software Design Services	(6,914.03) *
Ingleside Animal Hospital	Veterinary Services	1,230.93
Insurors Indemnity Company	Educational/Training Services	125.00
Lucky Puppy Grooming	Veterinary Services	110.00
Madison Consulting Group, Inc.	Actuarial Services	115,063.00
Mary Mathey	Accounting Services	120.00
McDonald-Mehta Engineers	Educational/Training Services	1,126.71
Medtox Laboratories	Medical Services	147.44
Milliman & Robertson, Inc.	Actuarial Services	34,000.00
National Association of Insurance Commissioners	Educational/Training Services	1,477.75
National Committee for Quality Assurance	Educational/Training Services	(657.73) *
Net Explorer, Inc.	Web Analysis Services	10,000.00
North Texas Animal Clinic	Veterinary Services	1,217.54
Northstar International Insurance Recruiters, Inc.	Actuarial Recruitment Services	13,000.00
Plan 21	Employee Assistance Program	13,751.82
Professional Civil Process of Texas	Subpoena Services	35.00
S.W.E.A.T Inc.	Educational/Training Services	544.00
Scruggs Management Services, Inc.	Actuarial Services	144,662.50
Seton Health Partners	Medical Services	348.00
Southwood Drive Veterinary	Veterinary Services	1,180.09
Springtown Veterinary Hospital	Veterinary Services	1,039.21
State Office of Risk Management	Risk Management Services	6,001.13
Statistical Services Corporation of Austin	Data Processing Services	9,562.91
Texas Association of Insurance Agents	Educational/Training Services	1,400.00
Texas A&M/Texas Engineering Experiment Station	Process Improvement Services	43,850.31
University of North Texas	Surveying Services	31,802.37
Wakely & Association, Inc.	Actuarial Services	28,113.00
West Central Texas Law Enforcement Academy	Educational/Training Services	104.00
TOTAL PROFESSIONAL/CONSULTING FEES		<u>636,472.01</u>
Legal Service Fees		
Tom Collins	Legal Services	12,945.00
TOTAL LEGAL SERVICE FEES		<u>12,945.00</u>
Total Professional, Consulting Fees and Legal Service Fees (Exhibit II)		<u>\$ 649,417.01</u>
* Denotes negative amount resulting from over accrual in fiscal year 1998, reversing in fiscal year 1999.		
Discrete Component Unit:		
Surplus Lines Stamping Office of Texas (Exhibit IV)		<u>\$ 128,972.00</u>

UNAUDITED

TEXAS DEPARTMENT OF INSURANCE (454)

SCHEDULE 7
SUMMARY OF LEASED SPACE

For the fiscal year ended August 31, 1999

LOCATION (Texas)	LESSOR	USE	SQUARE FEET	COST PER SQUARE FOOT PER MONTH	ANNUAL RENT (A)
				\$	\$
Angleton	Snow & Brooks Properties	Windstorm Ofc	932	1.18	13,706.00
Angleton	Angleton Metroplex	Windstorm Ofc	1,000	1.05	1,050.00
Austin	Denson Group	Liquidation Oversight Records Center	61,200	0.50	364,869.25
Bay City	William M. Bell	Windstorm Ofc	550	0.88	5,819.88
Beaumont	Brandon Barron	Windstorm Ofc	1,686	1.69	2,798.52
Beaumont	Madisonville State Bank	Windstorm Ofc	1,686	1.69	13,992.60
Conroe	Conroe Limited Partnership	SFM Ofc	814	0.90	8,791.20
Corpus Christi	ARC-Wilson Associates	Windstorm Ofc	2,329	0.89	24,911.76
Corpus Christi	ARC-Wilson Associates	SFM Ofc	1,067	0.89	11,413.44
Dallas	Howard Schultz & Associates	Examinations' Ofc	2,571	1.54	23,773.80
Duncanville	Duncanville Plaza	SFM Ofc	1,520	1.10	20,042.40
Galveston	United States National Bank	Windstorm Ofc	2,295	1.00	20,093.60
Harlingen	Valley Mortgage	Windstorm Ofc	1,375	0.71	11,778.48
Houston	Plazer Properties, Ltd	Examinations' Ofc	2,099	2.78	22,228.32
LA Marque	Robert Gass, Inc.	Windstorm Ofc	2,000	1.5	12,000.00
Lubbock	Megaron	SFM Ofc	1,870	0.71	15,894.24
San Antonio	James F. Cotter	Examinations' Ofc	1,493	2.20	19,707.60
Tyler	Commerce Square Corp	SFM Ofc	<u>1,700</u>	0.76	<u>15,446.76</u>
Totals			<u>88,558</u>		<u>\$ 608,317.85</u>
Discrete Component Unit:					
Surplus Lines Stamping Office of Texas					<u>\$ 251,626.00</u>

(A) Shows actual amount paid which may or may not be for a full 12 months.

TEXAS DEPARTMENT OF INSURANCE (454)

ADDENDUM - GENERAL COMMENTS

1. The Texas Department of Insurance's main offices are located in these state office buildings:

<u>Location in Austin</u>	<u>Square Feet</u>
TDI Warehouse - 7915 Cameron Road	24,150
Hobby Building - 333 Guadalupe	201,217

Space is leased for other uses throughout the state as shown on Schedule 7. House Bill No. 1, 74th Legislature, Regular Session requires the Agency to make every effort to achieve a ratio of not more than 153 square feet per employee at each agency site for usable office space insofar as possible without sacrifice of critical public or client services. Sites at which 15 or fewer employees are located are excluded. Due to the unusual configuration of the Hobby Building, a GSC commissioned study determined that the building could efficiently support 184 square feet per FTE. Since 1993 TDI has reduced the per FTE allocation from 270 to the current 232 square feet per FTE as of August 31, 1999.

2. A public employee blanket honesty bond issued by The Western Surety Company bonds department employees up to \$10,000 each. A public official bond issued by the Travelers Casualty and Surety Company covers the Commissioner up to \$50,000. A public and employees liability insurance policy issued by the National Union Fire Insurance Company covers the Commissioner and other named officials up to a \$5 million aggregate with a \$25,000 per claim retention.

3. If the General Services Commission, after considering all factors for a purchase requisition, takes exception to the justifications, it shall purchase the supplies, material, services or equipment as requested and report the reasons for its exceptions to the agency head or the chairman of the governing body, the State Auditor, the Legislative Budget Board, and the Governor. During the year ended August 31, 1999, the General Services Commission issued no exception letters for the department.