



Texas Department of Insurance

2012

Annual Financial Report

For the Fiscal Year Ending August 31, 2012



Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C
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November 20, 2012

Honorable Rick Perry, *Governor*
Honorable Susan Combs, *Texas Comptroller*
Ursula Parks, *Acting Director, Legislative Budget Board*
John Keel, CPA, *State Auditor*

Ladies and Gentlemen:

We are pleased to submit the Texas Department of Insurance's *Annual Financial Report* for the fiscal year ending August 31, 2012, in compliance with the *Texas Government Code, Ann. §2101.011*, and the requirements of the Comptroller of Public Accounts.

Due to the significant changes related to 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.

This report is part of the State of Texas Comprehensive Annual Financial Report and is subject to audit by the State Auditor. The Auditor has not yet expressed an opinion on the financial statements and related information contained in this report.

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

Sincerely,

A handwritten signature in cursive script that reads "Eleanor Kitzman".

Eleanor Kitzman
Commissioner of Insurance

**TEXAS DEPARTMENT OF INSURANCE
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2012**

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Texas Department of Insurance (454)

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

August 31, 2012

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
On Hand	\$ -	\$ -	\$ -
In Bank	264,830.58		264,830.58
Legislative Appropriations	25,348.55		25,348.55
In State Treasury	236,494,566.01		236,494,566.01
Cash Equivalents	4,566,199.36		4,566,199.36
Receivables from:			
Federal Receivable	558,620.33		558,620.33
Interest & Dividends Receivable	20.22		20.22
Accounts Receivable	1,847,551.74		1,847,551.74
Due From Other Funds	26,770.01		26,770.01
Due From Other Agencies	475,027.43	12,184.06	487,211.49
Consumable Inventories	123,528.32		123,528.32
Total Current Assets	244,382,462.55	12,184.06	244,394,646.61
Capital Assets (Note 2):			
Depreciable			
Furniture and Equipment			
Less Accumulated Depreciation			
Vehicle, Boats, and Aircraft			
Less Accumulated Depreciation			
Other Capital Assets			
Less Accumulated Depreciation			
Computer Software-Intangible			
Less Accumulated Amortization			
Total Non-Current Assets	-	-	-
Total Assets	\$ 244,382,462.55	\$ 12,184.06	\$ 244,394,646.61
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 3,918,617.22	\$ 12,184.06	\$ 3,930,801.28
Payroll	7,508,210.03		7,508,210.03
Due To Other Funds	26,770.01		26,770.01
Due to Other Agencies	3,666,248.14		3,666,248.14
Deferred Revenue	95,086.24		95,086.24
Claims and Judgments (Note 5)			
Employees Compensable Leave (Note 5)			
Total Current Liabilities	15,214,931.64	12,184.06	15,227,115.70

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

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ -	\$ -	\$ -
			264,830.58
			25,348.55
			236,494,566.01
			4,566,199.36
			558,620.33
			20.22
			1,847,551.74
			26,770.01
			487,211.49
			123,528.32
-	-	-	244,394,646.61
5,791,242.97			5,791,242.97
(5,485,171.17)			(5,485,171.17)
1,035,611.00			1,035,611.00
(524,901.22)			(524,901.22)
37,899.30			37,899.30
(13,345.66)			(13,345.66)
2,395,276.83			2,395,276.83
(2,384,245.33)			(2,384,245.33)
852,366.72	-	-	852,366.72
\$ 852,366.72	\$ -	\$ -	\$ 245,247,013.33
\$ -	\$ -	\$ -	\$ 3,930,801.28
			7,508,210.03
			26,770.01
			3,666,248.14
			95,086.24
	568,450.42		568,450.42
	4,858,935.43		4,858,935.43
-	5,427,385.85	-	20,654,501.55

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, 2012

	Governmental Fund Types		
	General Funds (Ex A-1)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
Non-Current Liabilities:			
Claims and Judgments (Note 5)	\$ -	\$ -	\$ -
Employees Compensable Leave (Note 5)	-	-	-
Total Non-Current Liabilities	-	-	-
Total Liabilities	15,214,931.64	12,184.06	15,227,115.70
 FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Nonspendable	123,528.32	-	123,528.32
Restricted	-	-	-
Committed	229,036,555.09	-	229,036,555.09
Unassigned	7,447.50	-	7,447.50
Total Fund Balances	229,167,530.91	-	229,167,530.91
Total Liabilities and Fund Balances	\$ 244,382,462.55	\$ 12,184.06	\$ 244,394,646.61

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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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ -	\$ 14,589,055.62	\$ -	\$ 14,589,055.62
	3,580,433.89		3,580,433.89
-	18,169,489.51	-	18,169,489.51
-	23,596,875.36	-	38,823,991.06
			123,528.32
			-
			229,036,555.09
			7,447.50
			229,167,530.91
			852,366.72
852,366.72	(23,596,875.36)		(23,596,875.36)
\$ 852,366.72	\$ (23,596,875.36)	\$ -	\$ 245,247,013.33

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

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

For the Fiscal Year Ended August 31, 2012

	General Funds (Ex A-2)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
REVENUES			
Original Appropriations	\$ 224,406.00	\$ -	\$ 224,406.00
Additional Appropriations	152,498.71		152,498.71
Taxes	1,096,205.23		1,096,205.23
Federal Revenue (Sch 1A)	4,453,732.31		4,453,732.31
Federal Pass-Through Revenue (Sch 1A)	5,187,228.13		5,187,228.13
State Grant Pass-Through Revenue	35,795.22		35,795.22
Licenses, Fees & Permits	50,760,688.79		50,760,688.79
Sales of Goods and Services	9,125.82		9,125.82
Interest and Other Investment Income	3,526.21		3,526.21
Other	8,502,687.28		8,502,687.28
Total Revenues	70,425,893.70	-	70,425,893.70
EXPENDITURES			
Salaries and Wages	74,665,203.88		74,665,203.88
Payroll Related Costs	23,834,801.37		23,834,801.37
Professional Fees and Services	7,719,852.01	2,078,935.72	9,798,787.73
Travel	2,079,883.46		2,079,883.46
Materials and Supplies	2,717,405.91	470,000.00	3,187,405.91
Communication and Utilities	1,483,766.16	11,552.32	1,495,318.48
Repairs and Maintenance	913,605.05		913,605.05
Rentals & Leases	4,110,596.97		4,110,596.97
Printing and Reproduction	330,946.83		330,946.83
Claims and Judgments	5,410,740.57		5,410,740.57
Intergovernmental Payments	932,788.22		932,788.22
Public Assistance Payments	3,929.84		3,929.84
Other Expenditures	15,118,071.19		15,118,071.19
Capital Outlay	263,351.59		263,351.59
Depreciation Expense			
Total Expenditures/Expenses	139,584,943.05	2,560,488.04	142,145,431.09
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,159,049.35)</u>	<u>(2,560,488.04)</u>	<u>(71,719,537.39)</u>

OTHER FINANCING SOURCES (USES)

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 224,406.00
			152,498.71
			1,096,205.23
			4,453,732.31
			5,187,228.13
			35,795.22
			50,760,688.79
			9,125.82
			3,526.21
			<u>8,502,687.28</u>
-	-	-	<u>70,425,893.70</u>
			74,313,059.09
			23,834,801.37
			9,798,787.73
			2,079,883.46
			3,187,405.91
			1,495,318.48
			913,605.05
			4,110,596.97
			330,946.83
	(1,779,345.90)		3,631,394.67
			932,788.22
			3,929.84
			15,118,071.19
(263,351.59)			-
<u>398,767.61</u>			<u>398,767.61</u>
<u>135,416.02</u>	<u>(2,131,490.69)</u>	<u>-</u>	<u>140,149,356.42</u>
<u>(135,416.02)</u>	<u>2,131,490.69</u>	<u>-</u>	<u>(69,723,462.72)</u>

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

For the Fiscal Year Ended August 31, 2012

	General Funds (Ex A-2)	Special Revenue Funds (0006) U/F(0006)	Governmental Funds Total
Transfers In	\$ 223,368,031.23	\$ 2,560,488.04	\$ 225,928,519.27
Transfers Out	(141,009,927.25)		(141,009,927.25)
Sale of Capital Assets	70,983.00		70,983.00
Insurance Recovery	-		-
Appropriations Lapsed	(0.34)		(0.34)
Gain (Loss) on Sale of Capital Assets			-
Total Other Financing Sources and Uses	<u>82,429,086.64</u>	<u>2,560,488.04</u>	<u>84,989,574.68</u>
Net Change in Fund Balances/Net Assets	<u>13,270,037.29</u>	<u>-</u>	<u>13,270,037.29</u>

FUND FINANCIAL STATEMENT-FUND BALANCES

Fund Balances--Beginning	215,897,493.62	-	215,897,493.62
Restatements (Note 14)			-
Fund Balances, September 1, 2011, as Restated	<u>215,897,493.62</u>	<u>-</u>	<u>215,897,493.62</u>
Fund Balances--August 31, 2012	<u>\$ 229,167,530.91</u>	<u>\$ -</u>	<u>\$ 229,167,530.91</u>

GOVERNMENT-WIDE STATEMENT-NET ASSETS

Net Assets/Change in Net Assets		<u>\$ 229,167,530.91</u>
Net Assets-Beginning		
Restatements (Note 14)		
Net Assets, September 1, 2011, as Restated		
Net Assets-August 31, 2012		<u>\$ 229,167,530.91</u>

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ 225,928,519.27
			(141,009,927.25)
(70,983.00)			-
			-
			(0.34)
35,475.86			35,475.86
(35,507.14)	-	-	84,954,067.54
(170,923.16)	2,131,490.69	-	15,230,604.82
1,023,289.88	(25,728,366.05)	-	191,192,417.45
			-
1,023,289.88	(25,728,366.05)	-	191,192,417.45
<u>\$ 852,366.72</u>	<u>\$ (23,596,875.36)</u>	<u>\$ -</u>	<u>\$ 206,423,022.27</u>
<u>\$ (170,923.16)</u>	<u>\$ 2,131,490.69</u>	<u>\$ -</u>	<u>\$ 231,128,098.44</u>
1,023,289.88	(25,728,366.05)	-	(24,705,076.17)
			-
1,023,289.88	(25,728,366.05)	-	(24,705,076.17)
<u>\$ 852,366.72</u>	<u>\$ (23,596,875.36)</u>	<u>\$ -</u>	<u>\$ 206,423,022.27</u>

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

August 31, 2012

	Total Proprietary Component Units (Exhibit L-1)
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank (Note 3)	\$ 67,527,659.00
Cash Equivalents (Note 3)	343,757,922.00
Short Term Investments (Note 3)	127,816,406.00
Receivables from:	
Accounts Receivable	78,454,282.00
Other	92,067.00
Deferred Acquisition Costs	33,814,612.00
Total Current Assets	651,462,948.00
Non-Current Assets:	
Capital Assets:	
Depreciable:	
Furniture and Equipment	11,401,519.00
Less Accumulated Depreciation	(8,151,196.00)
Other Non-Current Assets	5,837,691.00
Total Non-Current Assets	9,088,014.00
Total Assets	660,550,962.00
LIABILITIES	
Current Liabilities:	
Payables from:	
Accounts	\$ 103,996,929.00
Payroll	36,917.00
Employee's Compensable Leave	61,434.00
Deferred Revenue	237,800,643.00
Other Liabilities	253,819,302.00
Total Current Liabilities	595,715,225.00
Total Liabilities	595,715,225.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	7,754,734.00
Unrestricted	57,081,003.00
Total Net Assets	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

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

For the Fiscal Year Ended August 31, 2012

	Total Proprietary Component Units (Exhibit L-2)
OPERATING REVENUES:	
Federal Revenue	\$ 9,243,990.00
Sales of Goods and Services:	
Other Sales of Goods and Services	1,952,657.00
Premium Revenue	536,531,691.00
Interest and Investment Income	340,067.00
Other Operating Revenues	94,820,888.00
Total Operating Revenues	642,889,293.00
OPERATING EXPENSES:	
Salaries and Wages	16,402,491.00
Payroll Related Costs	2,989,270.00
Professional Fees and Services	12,984,078.00
Travel	7,783.00
Materials and Supplies	76,704.00
Communication and Utilities	36,874.00
Repairs and Maintenance	43,504.00
Rentals and Leases	1,284,582.00
Printing and Reproduction	2,891.00
Depreciation and Amortization	916,729.00
Other Operating Expenses	590,559,779.00
Total Operating Expenses	625,304,685.00
Operating Income (Loss)	17,584,608.00
Change in Net Assets	17,584,608.00
Total Net Assets, September 1, 2011	51,330,589.00
Restatements	(4,079,460.00)
Total Net Assets, September 1, 2011, as Restated	47,251,129.00
Total Net Assets, August 31, 2012	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

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

August 31, 2012

	Private- Purpose Trust Funds (Exhibit I-1)	Agency Funds (Exhibit J-1)	Totals
ASSETS			
Cash and Cash Equivalents (Note 3)			
Cash in Bank	\$ 196,242.24	\$ -	\$ 196,242.24
Cash in State Treasury	646,083.41	9,309,562.48	9,955,645.89
Cash Equivalents	435,557,340.50		435,557,340.50
Interest Receivable	1,135.22		1,135.22
Accounts Receivable	780.07	978,056.42	978,836.49
Other Assets		1,631,049,449.80	1,631,049,449.80
Securities Held in Trust	91,291,849.88		91,291,849.88
Total Assets	<u>527,693,431.32</u>	<u>1,641,337,068.70</u>	<u>2,169,030,500.02</u>
LIABILITIES			
Accounts Payable	\$ 838.00	\$ -	\$ 838.00
Due to Other Agencies		978,056.42	978,056.42
Funds Held for Others	91,291,849.88	1,640,359,012.28	1,731,650,862.16
Total Liabilities	<u>91,292,687.88</u>	<u>1,641,337,068.70</u>	<u>1,732,629,756.58</u>
NET ASSETS			
Held in trust for:			
Individuals, Organizations, and Other Governments	436,400,743.44		436,400,743.44
Total Net Assets	<u>\$ 436,400,743.44</u>	<u>\$ -</u>	<u>\$ 436,400,743.44</u>

TEXAS DEPARTMENT OF INSURANCE (454)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Department of Insurance (TDI) 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*.

TDI statutory authority is Chapter 31.002 of the Texas Insurance Code. Chapter 31.002 states "the department shall (1) regulate the business of insurance in this State; (2) administer the workers' compensation system of this State as provided by the Texas Workers' Compensation Act, Labor Code Title 5, and (3) ensure that this code and other laws regarding insurance and insurance companies are executed." The history of the Agency dates back to the Texas Constitution of 1876. Since then, the composition of the Agency has changed several times. In 1993, House Bill No. 1461, 73rd Legislature, Regular Session, amended the Insurance Code to establish the Commissioner of Insurance as the primary policy-setting authority and to abolish the three-member State Board of Insurance no later than September 1, 1994. The Board transferred all remaining authority to the Commissioner effective December 16, 1993. Additionally, effective September 1, 2005, House Bill 7, 79th Legislature, Regular Session, created the Division of Workers' Compensation within TDI. This legislation transferred many of the duties and functions of the abolished Texas Workers' Compensation Commission to the Division of Workers' Compensation to administer and operate the workers' compensation system of the State.

TDI includes within this report all components as determined by an analysis of their relationship to TDI as listed below.

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

Blended Component Units

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

Discretely Presented Component Units

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

- The 70th Legislature of the State of Texas created the Surplus Lines Stamping Office of Texas in August, 1987 to assist the Texas Department of Insurance in surplus lines insurance regulation and encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of TDI. TDI approves operating procedures for the administration of the Stamping Office.
- The Texas Health Reinsurance System is a not-for-profit entity created to ensure the availability of appropriate health care coverage to Texas residents and provide a reinsurance mechanism to facilitate the provision of small employer coverage. The Commissioner of Insurance approves the assessment formula for conducting reinsured carriers assessments.
- The Texas Health Insurance Pool provides 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 successful by the private sector. It is governed by a nine-member board appointed by the Commissioner of Insurance, who also approves premium rates and rate schedules used by the Pool.
- The Texas Windstorm Insurance Association (TWIA) is the State's insurer of last resort for wind and hail coverage in the 14 coastal counties and parts of Harris County (east of Hwy 146). TWIA provides wind and hail coverage when insurance companies exclude it from their homeowners and other property policies sold to coastal residents. Effective January 1, 2010, the Commissioner of Insurance appoints the members to the TWIA Board of Directors.

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TEXAS DEPARTMENT OF INSURANCE (454)

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The General Fund is the principal operating fund used to account for most of the State's general activities. It accounts for all financial resources except those accounted for in other funds.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

Capital Assets Adjustment Fund Type

Capital Assets Adjustment fund type is 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 is used to convert governmental fund types' debt from modified accrual to full accrual.

Other Adjustments Fund Type

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

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

FIDUCIARY FUND TYPES

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

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds

Private-Purpose Trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

COMPONENT UNITS

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

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

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TEXAS DEPARTMENT OF INSURANCE (454)

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, and full accrual revenues and expenses. The activity will be recognized in these fund types.

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

BUDGET AND BUDGETARY ACCOUNTING

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

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

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

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

Inventories and Prepaid Items

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

Capital Assets

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

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

Current Receivables - Other

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

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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.

Claims and Judgments

Claims and judgments which are settled but unpaid at year-end and will be paid with future fund resources.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that become "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

FUND BALANCE/NET ASSETS

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

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements:

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the State's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

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.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

The composition of the Agency's interfund activities and balances are presented in Note 12.

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NOTE 2: CAPITAL ASSETS

Revenue received from the sale of surplus property is recorded in unappropriated General Revenue.

A summary of changes in Capital Assets for the year ended August 31, 2012 is presented below:

GOVERNMENT Asset Type	Balance 9/1/11	Adjustments	Completed CIP	Inc- Int'agy Trans	Dec-Int'agy Trans	PRIMARY		Balance 8/31/12
						Additions	Deletions	
Governmental activities:								
Non-depreciable Assets								
Other Capital Assets	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 0 00
Total non-depreciable assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Depreciable Assets								
Furniture and Equipment	7,021,497.10	0.00	0.00	0 00	0.00	25,934 07	(1,256,188 20)	5,791,242 97
Vehicles	1,130,942.12	0.00	0.00	0 00	(38,065.31)	220,417 52	(277,683 33)	1,035,611 00
Other Capital Assets	25 899 30	0 00	0 00	0 00	0 00	17 000 00	(5 000 00)	37 899 30
Total depreciable assets at historical costs	8,178,338 52	0 00	0 00	0 00	(38,065.31)	263,351 59	(1,538,871 53)	6,864,753 27
Accumulated Depreciation								
Furniture and Equipment	(6,486,730 85)	0 00	0 00	0 00	0 00	(240,463 36)	1,242,023 04	(5,485,171.17)
Vehicles	(670,217 84)	0 00	0 00	0 00	32,989.84	(144,014 57)	256,341 35	(524,901 22)
Other Capital Assets	(15,252 04)	0 00	0 00	0 00	0 00	(3,093.62)	5,000 00	(13,345.66)
Total accumulated depreciation	(7,172,200.73)	0 00	0 00	0 00	32,989.84	(387,571 55)	1,503,364 39	(6,023,418 05)
Amortizable Assets-Intangible								
BC Computer Software	2,395,276 83	0 00	0 00	0 00	0 00	0 00	0 00	2,395,276.83
BC Other Capital Intangible Assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Amortizable Assets-Intangible	2,395,276 83	0 00	0 00	0 00	0 00	0 00	0 00	2,395,276 83
Accumulated Amortization								
BC A/A Computer Software	(2,378,124.74)	0 00	0 00	0 00	0 00	(6,120 59)	0 00	(2,384,245 33)
BC A/A Other Intangible Capital Assets	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Accumulated Amortization	(2,378,124.74)	0 00	0 00	0 00	0 00	(6,120 59)	0 00	(2,384,245 33)
Total Governmental activities , net	\$ 1,023,289.88	0 00	0 00	0 00	(5,075.47)	(130,340 55)	(35,507.14)	\$ 852,366.72

DISCRETELY PRESENTED COMPONENT UNITS

Asset Type	Balance		Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	Balance
	9/1/11	Adjustments						8/31/12
Proprietary activities:								
Depreciable Assets								
Furniture and Equipment	\$ 10,826,371 00	\$ 197,074 00	\$ 0 00	\$ 0 00	\$ 0 00	\$ 385,913.00	\$ (7,839.00)	\$ 11,401,519.00
Total depreciable assets at historical costs								
Less accumulated depreciation for:								
Furniture and Equipment	(7,037,392 00)	(197,075 00)	0 00	0 00	0 00	(916,729.00)	0 00	(8,151,196.00)
Total accumulated depreciation								
Depreciable assets, net	3,788,979 00	(1 00)	0 00	0 00	0 00	(530,816 00)	(7,839.00)	3,250,323.00
Business-Type activities capital assets, net	\$ 3,788,979.00	(1 00)	0 00	0 00	0 00	(530,816.00)	(7,839.00)	\$ 3,250,323.00

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NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

The Texas Department of Insurance reports investments held in the Texas Treasury Safekeeping Trust Company. The Texas Treasury Safekeeping Trust Company is authorized by statute to make investments following the "prudent person rule". There were no significant violations of legal provisions during the period.

DEPOSITS OF CASH IN BANK

As of August 31, 2012, the carrying amount of deposits was \$67,988,731.82 as presented below:

Governmental and Business-Type Activities	
Cash In Bank – Carrying Value	\$ 264,830.58
	<u>\$ 264,830.58</u>
Cash In Bank Per AFR	
Governmental Funds Current Assets Cash in Bank	\$ 264,830.58
	<u>\$ 264,830.58</u>
Cash in Bank per AFR	
 Fiduciary Funds	
Cash In Bank – Carrying Value	\$ 182,154.70
Cash In Bank - Texas Treasury Safekeeping Trust Co.	14,087.57
	<u>\$ 196,242.24</u>
Cash In Bank Per AFR	
	<u>\$ 196,242.24</u>
Fiduciary Funds Current Assets Cash in Bank	\$ 196,242.24
Cash in Bank per AFR	<u>\$ 196,242.24</u>
 Discrete Component Units	
Cash In Bank – Carrying Value	\$ 67,527,659.00
	<u>\$ 67,527,659.00</u>
Cash In Bank Per AFR	
Discrete Component Unit Current Assets Cash in Bank	\$ 67,527,659.00
	<u>\$ 67,527,659.00</u>
Cash in Bank per AFR	<u>\$ 67,527,659.00</u>

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

As of August 31, 2012 the total bank balance was as follows:

Governmental and Business-Type Activities	\$254,011.72	Fiduciary Funds	\$196,242.24	Discrete Component Units	\$67,527,659.00
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Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency and the discrete component units will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk but maintains cash balances in a major financial institution and monitors account balances for amounts over \$250,000 of the FDIC limit. The Surplus Lines Stamping Office's cash deposits are held in a major financial institution and are insured up to \$250,000. Management monitors balance in all accounts and has not experienced any losses on the deposits. The Texas Health Insurance Risk Pool deposits exceeding the insured limit are swept in to overnight investments which are backed by the full faith and credit of the United States. TWIA deposits exceed the insured limit, but the deposits are held in the Transaction Account Guarantee Program that guarantees 100% of their cash. The bank balances that were exposed to custodial credit risks are as follows:

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Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name
15	3159	\$426,059.00		

INVESTMENTS

As of August 31, 2012, the carrying value and fair value of investments are as presented below:

Governmental and Business-Type Activities	Fair Value
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$ 4,566,199.36
Total	\$ 4,566,199.36
Fiduciary Funds	Fair Value
U.S. Government:	
U.S. Treasury Securities	\$ 2,945,027.68
Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	432,612,312.82
Total	\$ 435,557,340.50
Discrete Component Units	Fair Value
U.S. Government:	
U.S. Treasury Securities	\$ 143,068,773.00
Miscellaneous	328,505,555.00
Total	\$ 471,574,328.00

❶ – Repurchase Agreements with the Texas Treasury Safekeeping Trust Co. are recorded as Cash Equivalents – Miscellaneous in the Financial Statements and as Repurchase Agreements in the Notes, based on Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Texas Department of Insurance had investments in U.S. Treasury Securities Money Market Mutual Fund which are backed by the U.S. government. The Surplus Lines Stamping Office investment policy allows U.S. government securities and negotiable certificates of deposits. The Texas Health Insurance Pool held investments backed by the U.S. government. TWIA held investments backed by the U.S. Treasury Money Market Funds program and other investments backed by the U.S. government. As of August 31, 2012 credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	NR
01	9999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$4,566,199.36			
15	3159	Certificates of deposits				\$4,752,610.00
15	4152	U.S. Gov't Agency Obligations	\$20,004,977.00			
15	4152	U.S. Treasury Securities	\$23,000,000.00			
15	4154	U.S. Gov't Money Market Mutual Funds	\$423,816,741.00			
20	2999	U.S. Treasury Securities Money Market Mutual Fund	\$2,945,027.68			
20	2999	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$256,412,612.75			
20	3204	Repurchase Agreement-Texas Treasury Safekeeping Trust Co.	\$176,199,700.07			

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NOTE 4: SUMMARY OF SHORT-TERM DEBT

N/A

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities:

Governmental Activities	PRIMARY GOVERNMENT				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/11	Additions	Reductions	Balance 8/31/12		
Claims and Judgments	\$ 16,936,851.94	477,023.43	2,256,369.33	15,157,506.04	568,450.42	\$ 14,589,055.62
Compensable Leave	8,791,514.11	7,232,623.42	7,584,768.21	8,439,369.32	4,858,935.43	3,580,433.89
Total Governmental Activities	\$ 25,728,366.05	7,709,646.85	9,841,137.54	23,596,875.36	5,427,385.85	\$ 18,169,489.51

Proprietary Activities	DISCRETELY PRESENTED COMPONENT UNITS				Amounts Due Within One Year	Amounts Due Thereafter
	Balance 9/1/11	Additions	Reductions	Balance 8/31/12		
Employees Compensable Leave	\$ 54,527.00	6,907.00	0.00	61,434.00	61,434.00	\$ 0.00
Total Proprietary Activities	\$ 54,527.00	6,907.00	0.00	61,434.00	61,434.00	\$ 0.00

Claims and Judgments

Qualified injured workers receive Lifetime Income Benefits that are paid until their death for total and permanent loss of a body part as provided in Section 408.161 of the Texas Labor Code. The amount of lifetime income benefits is equal to 75 percent of the employee's average weekly wage and benefits being paid and shall be increased at a rate of three percent a year subject to Section 408.061 of the Texas Labor Code.

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 6: BONDED INDEBTEDNESS

N/A

NOTE 7: DERIVATIVE INSTRUMENTS

N/A

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NOTE 8: LEASES

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

<u>Fund Type</u>	<u>Amount</u>
01 (D23 Fund 0008)	\$30,000.00
01 (Appn Fund 0036)	\$2,976,983.53
15 (Component Units)	\$1,159,431.00

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

PRIMARY GOVERNMENT

Year Ended August 31, 2012

2013	\$ 2,873,971.99
2014	1,148,279.72
2015	672,163.88
2016	618,138.84
2017	230,876.66
2018-2022	80,444.88
2023-2027	0.00
2028-2032	0.00
2033-2037	0.00
2038-2042	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 7,292,283.96</u>

DISCRETELY PRESENTED COMPONENT UNITS

Calendar Year Ended August 31, 2012

2013	\$ 839,992.00
2014	307,369.00
2015	212,319.00
2016	195,529.00
2017	200,675.00
2018-2022	0.00
2023-2027	0.00
2028-2032	0.00
2033-2037	0.00
2038-2042	0.00
Total Minimum Future Lease Rental Payments	<u>\$ 1,755,884.00</u>

NOTE 9: PENSION PLANS

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

NOTE 10: DEFERRED COMPENSATION PLANS

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

NOTE 11: POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

N/A

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TEXAS DEPARTMENT OF INSURANCE (454)

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

N/A

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under HB1951, 82nd Legislature, Regular Session, Sec. 1.002, Subsection (a), Section 31.004 of the Insurance Code was amended to read as follows: "The Texas Department of Insurance is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the department is abolished September 1, 2023."

Under HB2605, 82nd Legislature, Regular Session, Sec. 1, Subsection (b), Section 31.004 of the Insurance Code was amended to read as follows: "The duties of the Division of Workers' Compensation of the Texas Department of Insurance under Texas Workers' Compensation Act, Labor Code Title 5, expire September 1, 2017 or another date designed by the Legislature."

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Texas Windstorm Insurance Association (TWIA) was a new component unit in FY 2011. TWIA financial statements have been restated for FY 2011 to adjust the allocation of paid loss adjustment expenses as it relates to Hurricane Ike and the related reinsurance agreements which affected the following statement of net asset accounts: amounts recoverable from reinsurers, loss and loss adjustment expense reserves, ceded reinsurance premiums payable, funds held by company under reinsurance treaties and statutory funds payable. Th effect of the restatement decreased total net assets by \$4 million.

Proprietary Funds – Component Units

	Proprietary Fund – Component Units	Total
Net Assets 8-31-2011	\$ 41,552,890.00	\$ 41,552,890.00
Restatement	<u>(4,079,460.00)</u>	<u>(4,079,460.00)</u>
Net Assets 9-1-2011, As Restated	<u>\$ 37,473,430.00</u>	<u>\$ 37,473,430.00</u>

NOTE 15: CONTINGENT LIABILITIES

- Regulatory- There are a number of pending actions to which the Texas Department of Insurance is a party in connection with Texas Department of Insurance's regulatory duties. These generally do not seek monetary relief, other than attorneys' fees, but rather seek to reverse a regulatory action of the agency. There is one pending lawsuit stemming from regulatory action that seeks additional monetary damages based on an alleged violation of due process argument. As of August 31, 2012 the Subsequent Injury Fund had 118 pending requests for a total of \$1,576,680.79.

NOTE 16: SUBSEQUENT EVENTS

The Agency has the following subsequent events that may greatly affect the financial condition of the agency such as important contractual or grant arrangements, changes in material amounts of property, or other significant administrative or accounting activities:

- There are numerous cases involving the "stop loss" reimbursement provisions of a former rule that are being remanded back to the Division for Medical Fee Dispute Resolution. SB1, 82nd Leg. Sess, Article VIII, p. VIII-23, #25 authorized expenditures of \$2,100,000.00 to pay for costs of appeals of medical disputes, including appeals handled at the State Office of Administrative Hearings.

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NOTE 17: RISK MANAGEMENT

The Texas Department of Insurance (TDI) 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. TDI is not involved in any risk pools with other government entities.

The Agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the Agency's claims liabilities during the fiscal 2011 and 2012 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2011	\$	\$ 1,633.84	\$ 1,633.84	\$
2012	\$	\$ 44,820.00	\$ 44,820.00	\$

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

N/A

NOTE 19: THE FINANCIAL REPORTING ENTITY

The Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Units:

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

1. The *Surplus Lines Stamping Office of Texas* was created pursuant to Chapters 981.151 – 981.160 of the Texas Insurance Code to assist this Agency in the surplus lines insurance regulation, encourage compliance by surplus lines agents and insurers with the surplus lines law and the rules of TDI. The stamping office performs its functions under a plan of operation approved by order of TDI. The State of Texas has the ability to impose its will upon the stamping office through the approval of the assessment rate that funds its operations.
2. The *Texas Health Reinsurance System* reinsures risks covered under the health benefit plans of small employers' insurance carriers. The Commissioner of Insurance appoints, supervises and controls the nine-member board. The State of Texas has the ability to impose its will through TDI Commissioner's approval of base reinsurance premium rates and the assessment rates against reinsured health benefit plan issuers.
3. The *Texas Health Insurance Pool* provides access to quality health care at a minimum cost to the public for those unable to obtain traditional health care coverage. TDI approves all premium rates and rate schedules before they are used.
4. The *Texas Windstorm Insurance Association (TWIA)* is the State's insurer of last resort for wind and hail coverage in the fourteen coastal counties and parts of Harris County. Through the Commissioner of Insurance the primary government appoints all members of the board of directors. Additionally, the primary government can impose its will with the Commissioner of Insurance having the discretion to modify or approve fee changes impacting revenue and TWIA is subject to the Texas Sunset Act.

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

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Administrative Offices

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

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

Texas Windstorm Insurance Association
5700 S. Mopac, Bldg E, Suite 530
Austin, Texas 78749

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

Related Organizations

1. The **Life, Accident, Health and Hospital Service Insurance Guaranty Association** was created pursuant to Chapter 463 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 of Insurance appoints the nine-member board of directors of the association.
2. The **Texas Title Insurance Guaranty Association** was created pursuant to Chapter 2602 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 of Insurance appoints the nine-member board of directors.
3. The **Texas Mutual Insurance Company** was created under Chapter 2054 of the TIC and operates as a domestic mutual insurance company. The Commissioner of Insurance regulates this entity to the same extent as a private mutual insurance company. The Governor appoints five of the nine members of the board with the advice and consent of the Senate.
4. The **Texas Self-Insurance Group Guaranty Association** was created pursuant to Chapter 407A of the Texas Workers' Compensation Act Labor Code, for the purpose of providing payment of workers' compensation insurance benefits for injured employees covered by an insolvent workers' compensation self-insurance group. The Division of Workers' Compensation Commissioner appoints two members of the six member board and approves three other members selected by representatives of the certified workers' compensation self-insurance groups.

Administrative Offices

Life, Accident, Health and Hospital Service Insurance
Guaranty Association
6504 Bridge Point Parkway, Suite 450
Austin, TX 78730

Texas Title Insurance
Guaranty Association
106 East 6th Street, Suite 300
Austin, TX 78701-3661

Texas Self-Insurance Group
Guaranty Association
1115 San Jacinto Blvd, Suite 275
Austin, TX 78701

Texas Mutual Insurance Company
6210 East Highway 290
Austin, TX 78723

RELATED PARTIES

Liquidation Oversight is primarily funded by the assets of receiverships. Currently, there are 14.75 budgeted positions for Liquidation Oversight. The 14.75 FTEs are allocated positions. Liquidation Oversight operations include administration, docketing, financial/auditing and records management.

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NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

N/A

NOTE 21: TOBACCO SETTLEMENT

N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

N/A

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

N/A

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

N/A

NOTE 25: TERMINATION BENEFITS

N/A

NOTE 26: SEGMENT INFORMATION

N/A

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

August 31, 2012

	General		Consolidated Accounts
	General Revenue (0001)	Local - GAAP General Fund (9999)	GR Account -Tx Department of Insurance Operating (0036)
ASSETS			
Current Assets:			
Cash and Cash Equivalents			
On Hand	\$ -	\$ -	\$ -
In Bank		164,145.58	100,685.00
Legislative Appropriations	25,348.55		
In State Treasury			145,047,048.01
Cash Equivalents		4,566,199.36	
Receivables from:			
Federal Receivable			558,620.33
Interest/Dividend Receivable		20.22	
Accounts Receivable		193,704.62	978,140.59
Due From Other Funds			26,770.01
Due From Other Agencies			465,441.32
Consumable Inventories			123,528.32
Total Current Assets	25,348.55	4,924,069.78	147,300,233.58
Total Assets	\$ 25,348.55	\$ 4,924,069.78	\$ 147,300,233.58
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 2,895.12	\$ 85,812.90	\$ 3,770,666.39
Payroll	15,005.93		7,493,204.10
Due To Other Funds			26,770.01
Due To Other Agencies			3,666,248.14
Deferred Revenue			95,086.24
Total Current Liabilities	17,901.05	85,812.90	15,051,974.88
Total Liabilities	17,901.05	85,812.90	15,051,974.88
FUND FINANCIAL STATEMENT			
Fund Balances (Deficits):			
Nonspendable	-	-	123,528.32
Committed		4,838,256.88	132,124,730.38
Assigned			
Unassigned	7,447.50		
Total Fund Balances	7,447.50	4,838,256.88	132,248,258.70
Total Liabilities and Fund Balances	\$ 25,348.55	\$ 4,924,069.78	\$ 147,300,233.58

UNAUDITED

Consolidated Accounts

GR Account -Subsequent Injury Fund (5101)	GR Account -Premium Stabilization Fund (0329)	GR Account - Federal American Recovery & Reinvestment Act Fund (0369)	GR Account -Fire Prevention & Public Safety (5138)	Total (Ex I)
\$ -	\$ -	\$ -	\$ -	\$ -
				264,830.58
				25,348.55
63,377,057.32	27,926,355.71		144,104.97	236,494,566.01
				4,566,199.36
				558,620.33
				20.22
675,706.53				1,847,551.74
				26,770.01
		9,586.11		475,027.43
				123,528.32
<u>64,052,763.85</u>	<u>27,926,355.71</u>	<u>9,586.11</u>	<u>144,104.97</u>	<u>244,382,462.55</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,926,355.71</u>	<u>\$ 9,586.11</u>	<u>\$ 144,104.97</u>	<u>\$ 244,382,462.55</u>
\$ -	\$ 46,032.86	\$ 9,586.11	\$ 3,623.84	\$ 3,918,617.22
				7,508,210.03
				26,770.01
				3,666,248.14
				95,086.24
<u>-</u>	<u>46,032.86</u>	<u>9,586.11</u>	<u>3,623.84</u>	<u>15,214,931.64</u>
<u>-</u>	<u>46,032.86</u>	<u>9,586.11</u>	<u>3,623.84</u>	<u>15,214,931.64</u>
				123,528.32
64,052,763.85	27,880,322.85		140,481.13	229,036,555.09
				7,447.50
<u>64,052,763.85</u>	<u>27,880,322.85</u>	<u>-</u>	<u>140,481.13</u>	<u>229,167,530.91</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,926,355.71</u>	<u>\$ 9,586.11</u>	<u>\$ 144,104.97</u>	<u>\$ 244,382,462.55</u>

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, 2012

	General		Consolidated Accounts
	General Revenue (0001)	Local - GAAP General Fund (9999)	GR Account -Tx Department of Insurance Operating (0036)
REVENUES			
Original Appropriations	\$ 224,406.00	\$ -	\$ -
Additional Appropriations	152,498.71		
Taxes			1,096,205.23
Federal Revenue	289,606.53		4,164,125.78
Federal Pass-Through Revenue	147,009.22		4,959,793.90
State Grant Pass-Through Revenue			35,795.22
Licenses, Fees & Permits	6,669.00		50,754,019.79
Settlement of Claims			
Sales of Goods and Services			9,125.82
Interest and Other Investment Income		3,522.76	
Other		1,145,526.49	1,449,582.55
Total Revenues	820,189.46	1,149,049.25	62,468,648.29
EXPENDITURES			
Salaries and Wages	207,068.40	844,046.56	73,614,088.92
Payroll Related Costs	46,671.31	159,546.98	23,628,583.08
Professional Fees and Services		13,040.00	6,675,131.43
Travel		29,797.61	2,050,085.85
Materials and Supplies	70,000.00	81.18	2,543,492.42
Communication and Utilities		4,904.69	1,478,861.47
Repairs and Maintenance			907,946.05
Rentals & Leases	52,700.00		4,057,896.97
Printing and Reproduction			330,946.83
Claims and Judgments (Note 17)			44,820.00
Intergovernmental Payments	539,657.43		393,130.79
Public Assistance Payments			3,929.84
Other Expenditures	7,548.00	242,607.53	9,216,198.51
Capital Outlay	12,572.34		216,345.18
Total Expenditures/Expenses	936,217.48	1,294,024.55	125,161,457.34
Excess (Deficiency) of Revenues			
Over Expenditures	(116,028.02)	(144,975.30)	(62,692,809.05)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	134,662,930.64
Transfers Out	(460,380.91)		(51,844,442.30)
Sale of Capital Assets	29,790.00		41,193.00
Insurance Recovery			
Appropriations Lapsed	(0.34)		
Total Other Financing Sources and Uses	(430,591.25)	-	82,859,681.34
Net Change in Fund Balances/Net Assets	(546,619.27)	(144,975.30)	20,166,872.29
FUND FINANCIAL STATEMENT-FUND BALANCES			
Fund Balances--Beginning	554,066.77	4,983,232.18	112,081,386.41
Restatements			
Fund Balances, September 1, 2011, as Restated	554,066.77	4,983,232.18	112,081,386.41
Fund Balances--August 31, 2012	\$ 7,447.50	\$ 4,838,256.88	\$ 132,248,258.70

UNAUDITED

Consolidated Accounts				
GR Account - Subsequent Injury Fund (5101)	GR Account - Premium Stabilization Fund (0329)	GR Account - Federal American Recovery & Reinvestment Act Fund (0369)	GR Account - Fire Prevention & Public Safety Fund (5138)	Total (Ex II)
\$ -	\$ -	\$ -	\$ -	\$ 224,406.00
				152,498.71
				1,096,205.23
				4,453,732.31
		80,425.01		5,187,228.13
				35,795.22
				50,760,688.79
				-
				9,125.82
		3.45		3,526.21
<u>5,907,578.24</u>				<u>8,502,687.28</u>
<u>5,907,578.24</u>	<u>-</u>	<u>80,428.46</u>	<u>-</u>	<u>70,425,893.70</u>
-	-	-	-	74,665,203.88
				23,834,801.37
	1,031,680.58			7,719,852.01
				2,079,883.46
		62,666.94	41,165.37	2,717,405.91
				1,483,766.16
		3,300.00	2,359.00	913,605.05
				4,110,596.97
5,365,920.57				330,946.83
				5,410,740.57
				932,788.22
				3,929.84
	5,648,697.15		3,020.00	15,118,071.19
		14,458.07	19,976.00	263,351.59
<u>5,365,920.57</u>	<u>6,680,377.73</u>	<u>80,425.01</u>	<u>66,520.37</u>	<u>139,584,943.05</u>
<u>541,657.67</u>	<u>(6,680,377.73)</u>	<u>3.45</u>	<u>(66,520.37)</u>	<u>(69,159,049.35)</u>
54,876,100.59	33,829,000.00		-	223,368,031.23
(54,876,100.59)	(33,829,000.00)	(3.45)		(141,009,927.25)
				70,983.00
				-
				(0.34)
		(3.45)		82,429,086.64
<u>541,657.67</u>	<u>(6,680,377.73)</u>	<u>(0.00)</u>	<u>(66,520.37)</u>	<u>13,270,037.29</u>
63,511,106.18	34,560,700.58	-	207,001.50	215,897,493.62
				-
<u>63,511,106.18</u>	<u>34,560,700.58</u>	<u>-</u>	<u>207,001.50</u>	<u>215,897,493.62</u>
<u>\$ 64,052,763.85</u>	<u>\$ 27,880,322.85</u>	<u>\$ (0.00)</u>	<u>\$ 140,481.13</u>	<u>\$ 229,167,530.91</u>

UNAUDITED

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

August 31, 2012

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Totals (Ex VI)
ASSETS				
Cash and Cash Equivalents:				
Cash in Bank	\$ -	\$ -	\$ 196,242.24	\$ 196,242.24
Cash in State Treasury		646,083.41		646,083.41
Cash Equivalents	176,199,700.07		259,357,640.43	435,557,340.50
Interest Receivable			1,135.22	1,135.22
Accounts Receivable	780.07			780.07
Securities Held in Trust			91,291,849.88	91,291,849.88
Total Assets	<u>176,200,480.14</u>	<u>646,083.41</u>	<u>350,846,867.77</u>	<u>527,693,431.32</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 838.00	\$ 838.00
Funds Held for Others			91,291,849.88	91,291,849.88
Total Liabilities	<u>-</u>	<u>-</u>	<u>91,292,687.88</u>	<u>91,292,687.88</u>
NET ASSETS				
Held in trust for:				
Individuals, Organizations, and Other Governments	176,200,480.14	646,083.41	259,554,179.89	436,400,743.44
Total Net Assets	<u>\$ 176,200,480.14</u>	<u>\$ 646,083.41</u>	<u>\$ 259,554,179.89</u>	<u>\$ 436,400,743.44</u>

UNAUDITED

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

August 31, 2012

	Private-Purpose Catastrophe Reserve Trust Fund (3204) U/F (0050)	Unclaimed Dividend Trust Fund (0923) U/F (0923)	Private-Purpose Estates/Securities in Trust (2999) U/F (2999)	Total (Ex VII)
ADDITIONS				
Investment Income				
From Investing Activities:				
Interest and Investment Income	\$ 119,735.13	\$ 4,109.76	\$ 208,275.20	\$ 332,120.09
Total Investing Income	<u>119,735.13</u>	<u>4,109.76</u>	<u>208,275.20</u>	<u>332,120.09</u>
Less Investing Activities Expense				-
Net Income from Investing Activities	<u>119,735.13</u>	<u>4,109.76</u>	<u>208,275.20</u>	<u>332,120.09</u>
 Total Net Investment Income	 <u>119,735.13</u>	 <u>4,109.76</u>	 <u>208,275.20</u>	 <u>332,120.09</u>
 Other Additions				
Other Revenue	46,164,688.00	159,372.22	111,792,717.59	158,116,777.81
Total Other Additions	<u>46,164,688.00</u>	<u>159,372.22</u>	<u>111,792,717.59</u>	<u>158,116,777.81</u>
 Total Additions	 <u>46,284,423.13</u>	 <u>163,481.98</u>	 <u>112,000,992.79</u>	 <u>158,448,897.90</u>
DEDUCTIONS				
Repairs and Maintenance	-	-	20,000.00	20,000.00
Claims & Judgments			88,144,410.42	88,144,410.42
Other Expense	8,005.61	142,409.53	43,724,358.07	43,874,773.21
Total Deductions	<u>8,005.61</u>	<u>142,409.53</u>	<u>131,888,768.49</u>	<u>132,039,183.63</u>
 NET INCREASE (DECREASE)	 <u>46,276,417.52</u>	 <u>21,072.45</u>	 <u>(19,887,775.70)</u>	 <u>26,409,714.27</u>
 Net Assets- September 1, 2011	 129,924,062.62	 625,010.96	 279,441,955.59	 409,991,029.17
Restatements				-
Net Assets, September 1, 2011, As Restated	<u>129,924,062.62</u>	<u>625,010.96</u>	<u>279,441,955.59</u>	<u>409,991,029.17</u>
 Net Assets - August 31, 2012	 <u>\$ 176,200,480.14</u>	 <u>\$ 646,083.41</u>	 <u>\$ 259,554,179.89</u>	 <u>\$ 436,400,743.44</u>

UNAUDITED

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

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (1000) U/F (0003)				
ASSETS				
Cash in State Treasury	\$ -	\$ 21,428,538.14	\$ 21,428,538.14	\$ -
Accounts Receivable, Net	435,575.70	978,056.42	435,575.70	978,056.42
Total Assets	<u>435,575.70</u>	<u>22,406,594.56</u>	<u>21,864,113.84</u>	<u>978,056.42</u>
LIABILITIES				
Accounts Payable	0.00	79,800.61	79,800.61	0.00
Due to other Agencies	435,575.70	978,056.42	435,575.70	978,056.42
Funds Held for Others	0.00	21,432,438.14	21,432,438.14	0.00
Total Liabilities	<u>435,575.70</u>	<u>22,490,295.17</u>	<u>21,947,814.45</u>	<u>978,056.42</u>
Child Support Employ Deduct (0807) U/F (0807)				
ASSETS				
Cash in State Treasury	14,490.32	170,289.16	172,580.16	12,199.32
Total Assets	<u>14,490.32</u>	<u>170,289.16</u>	<u>172,580.16</u>	<u>12,199.32</u>
LIABILITIES				
Accounts Payable	0.00	158,089.84	158,089.84	0.00
Funds Held for Others	14,490.32	155,798.84	158,089.84	12,199.32
Total Liabilities	<u>14,490.32</u>	<u>313,888.68</u>	<u>316,179.68</u>	<u>12,199.32</u>
City, Cty, Mta & Spd (0882) U/F (0882)				
ASSETS				
Cash in State Treasury	0.00	143.80	143.80	0.00
Total Assets	<u>0.00</u>	<u>143.80</u>	<u>143.80</u>	<u>0.00</u>
LIABILITIES				
Funds Held for Others	0.00	143.80	143.80	0.00
Total Liabilities	<u>0.00</u>	<u>143.80</u>	<u>143.80</u>	<u>0.00</u>
Tx Worker's Comp Self Insurance Fund (0893) U/F (0893)				
ASSETS				
Cash in State Treasury	10,020,000.10	13,068,609.36	14,108,684.30	8,979,925.16
Other Current Assets	563,465,691.21	0.00	28,399,999.90	535,065,691.31
Total Assets	<u>573,485,691.31</u>	<u>13,068,609.36</u>	<u>42,508,684.20</u>	<u>544,045,616.47</u>
LIABILITIES				
Accounts Payable	0.00	2,041,227.35	2,041,227.35	0.00
Funds Held for Others	573,485,691.31	3,048,609.26	32,488,684.10	544,045,616.47
Total Liabilities	<u>573,485,691.31</u>	<u>5,089,836.61</u>	<u>34,529,911.45</u>	<u>544,045,616.47</u>
Departmental Suspense (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	0.00	16,442,363.47	16,442,363.47	0.00
Total Assets	<u>0.00</u>	<u>16,442,363.47</u>	<u>16,442,363.47</u>	<u>0.00</u>
LIABILITIES				
Accounts Payable	0.00	110,799.35	110,799.35	0.00
Funds Held for Others	0.00	16,442,363.47	16,442,363.47	0.00
Total Liabilities	<u>0.00</u>	<u>16,553,162.82</u>	<u>16,553,162.82</u>	<u>0.00</u>

UNAUDITED

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

August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
<u>LIFE/HLTH/ACC/CAS INS TR ACCT (0921) U/F (0921)</u>				
ASSETS				
Cash in State Treasury	277,588.00	317,588.00	277,738.00	317,438.00
Other Assets	1,092,430,853.49	394,524,225.38	390,971,320.38	1,095,983,758.49
Total Assets	1,092,708,441.49	394,841,813.38	391,249,058.38	1,096,301,196.49
LIABILITIES				
Accounts Payable	0.00	150.00	150.00	0.00
Funds Held for Others	1,092,708,441.49	394,841,813.38	391,249,058.38	1,096,301,196.49
Total Liabilities	1,092,708,441.49	394,841,963.38	391,249,208.38	1,096,301,196.49
<u>Direct Deposit Correction Fund (0980) U/F (0980)</u>				
ASSETS				
Cash in State Treasury	0.00	148,526.02	148,526.02	0.00
Total Assets	0.00	148,526.02	148,526.02	0.00
LIABILITIES				
Funds Held for Others	0.00	148,526.02	148,526.02	0.00
Total Liabilities	0.00	148,526.02	148,526.02	0.00
Totals - All Agency Funds (Exhibit VI)				
ASSETS				
Cash in State Treasury	\$ 10,312,078.42	\$ 51,576,057.95	\$ 52,578,573.89	\$ 9,309,562.48
Accounts Receivable, Net	435,575.70	978,056.42	435,575.70	978,056.42
Other Assets	1,655,896,544.70	394,524,225.38	419,371,320.28	1,631,049,449.80
Total Assets	\$ 1,666,644,198.82	\$ 447,078,339.75	\$ 472,385,469.87	\$ 1,641,337,068.70
LIABILITIES				
Accounts Payable	0.00	\$ 2,390,067.15	\$ 2,390,067.15	0.00
Due to Other Agencies	435,575.70	978,056.42	435,575.70	978,056.42
Funds Held for Others	1,666,208,623.12	436,069,692.91	461,919,303.75	1,640,359,012.28
Total Liabilities	\$ 1,666,644,198.82	\$ 439,437,816.48	\$ 464,744,946.60	\$ 1,641,337,068.70

UNAUDITED

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

For the Fiscal Year Ended August 31, 2012

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Pool (4152) U/F (0393)	Texas Windstorm Insurance Association (4154) U/F (0394)	Totals (Ex III)
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash in Bank	\$ 912,975.00	\$ 570,419.00	\$ 15,168,069.00	\$ 50,876,196.00	\$ 67,527,659.00
Cash Equivalents			20,004,977.00	323,752,945.00	343,757,922.00
Short Term Investments	4,752,610.00		23,000,000.00	100,063,796.00	127,816,406.00
Receivables from:					
Accounts Receivable	204,316.00	962.00	62,128,004.00	16,121,000.00	78,454,282.00
Other	92,067.00				92,067.00
Deferred Acquisition Costs				33,814,612.00	33,814,612.00
Total Current Assets	5,961,968.00	571,381.00	120,301,050.00	524,628,549.00	651,462,948.00
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable:					
Furniture and Equipment	6,728,070.00	-	58,760.00	4,614,689.00	11,401,519.00
Less Accumulated Depreciation	(3,588,025.00)		(47,768.00)	(4,515,403.00)	(8,151,196.00)
Other Non-Current Assets	43,266.00		8,588.00	5,785,837.00	5,837,691.00
Total Non-Current Assets	3,183,311.00	-	19,580.00	5,885,123.00	9,088,014.00
Total Assets	9,145,279.00	571,381.00	120,320,630.00	530,513,672.00	660,550,962.00
LIABILITIES					
Current Liabilities:					
Payables from:					
Accounts	\$ 12,298.00	\$ 21,308.00	\$ 1,180,183.00	\$ 102,783,140.00	\$ 103,996,929.00
Payroll	36,917.00				36,917.00
Employee's Compensable Leave	61,434.00				61,434.00
Deferred Revenue			78,212,489.00	159,588,154.00	237,800,643.00
Other Liabilities	77,745.00	550,073.00	40,927,958.00	212,263,526.00	253,819,302.00
Total Current Liabilities	188,394.00	571,381.00	120,320,630.00	474,634,820.00	595,715,225.00
Total Liabilities	188,394.00	571,381.00	120,320,630.00	474,634,820.00	595,715,225.00
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,140,045.00	-	-	4,614,689.00	7,754,734.00
Unrestricted	5,816,840.00			51,264,163.00	57,081,003.00
Total Net Assets	\$ 8,956,885.00	\$ -	\$ -	\$ 55,878,852.00	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

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, 2012

	Surplus Lines Stamping Office of Texas (3159) U/F (0391)	Texas Health Reinsurance System (4151) U/F (0392)	Texas Health Insurance Pool (4152) U/F (0393)	Texas Windstorm Insurance Association (4154) U/F (0394)	Totals (Ex IV)
OPERATING REVENUES:					
Federal Revenue	\$ -	\$ -	\$ 9,243,990.00	\$ -	\$ 9,243,990.00
Sales of Goods and Services:					-
Other Sales of Goods and Services	1,952,657.00				1,952,657.00
Premium Revenue		46,948.00	214,703,405.00	321,781,338.00	536,531,691.00
Interest and Investment Income	35,316.00	729.00	13,157.00	290,865.00	340,067.00
Other Operating Revenues			94,648,143.00	172,745.00	94,820,888.00
Total Operating Revenues	1,987,973.00	47,677.00	318,608,695.00	322,244,948.00	642,889,293.00
OPERATING EXPENSES:					
Salaries and Wages	1,204,433.00	-	364,203.00	14,833,855.00	16,402,491.00
Payroll Related Costs	391,109.00			2,598,161.00	2,989,270.00
Professional Fees and Services	433,403.00		12,550,675.00		12,984,078.00
Travel	4,323.00		3,460.00		7,783.00
Materials and Supplies	32,504.00		44,200.00		76,704.00
Communication and Utilities	36,874.00				36,874.00
Repairs and Maintenance	43,504.00				43,504.00
Rentals and Leases	252,661.00		75,149.00	956,772.00	1,284,582.00
Printing and Reproduction	2,891.00				2,891.00
Depreciation and Amortization	236,994.00		4,805.00	674,930.00	916,729.00
Other Operating Expenses	170,091.00	47,677.00	305,566,203.00	284,775,808.00	590,559,779.00
Total Operating Expenses	2,808,787.00	47,677.00	318,608,695.00	303,839,526.00	625,304,685.00
Operating Income (Loss)	(820,814.00)	-	-	18,405,422.00	17,584,608.00
Change in Net Assets	(820,814.00)	-	-	18,405,422.00	17,584,608.00
Total Net Assets, September 1, 2011	9,777,699.00	-	-	41,552,890.00	51,330,589.00
Restatements				(4,079,460.00)	(4,079,460.00)
Total Net Assets, September 1, 2011, as Restated	9,777,699.00	-	-	37,473,430.00	47,251,129.00
Total Net Assets, August 31, 2012	\$ 8,956,885.00	\$ -	\$ -	\$ 55,878,852.00	\$ 64,835,737.00

Note A - These Component Units have a fiscal year end of December 31, 2011. Financial information is as of that date.

UNAUDITED

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

For the fiscal year ended August 31, 2012

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA number	Pass-Through From			Non-State Entities Amount
		Identifying Number	Agy./ Univ. #	Agencies or Univ. Amount	
U.S. Department of Justice					
Pass-Through From:					
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803		300	\$ 80,425.01	\$ -
Total U.S. Department of Justice				<u>\$ 80,425.01</u>	<u>\$ -</u>
U.S. Department of Labor					
Direct Programs:					
Compensation and Working Conditions	17.005			-	-
Consultation Agreements	17.504			-	-
OSHA Data Initiative	17.505			-	-
Total U.S. Department of Labor				<u>-</u>	<u>-</u>
U.S. Dept of Health and Human Svcs					
Direct Programs:					
Affordable Care Act Grants to States for Health Insurance Premium Review	93.511			-	-
Affordable Care Act - Consumer Assistance Program Grants	93.519			-	-
State Planning & Establishment Grants for the Affordable Care Act Exchanges	93.525			-	-
Pass-Through From:					
Health and Human Services Commission State Planning Grant for the Uninsured Department of Aging and Disability Services Centers for Medicare and Medicaid Services (CMS)	93.256		529	4,859,416.54	-
Research, Demonstrations and Evaluations	93.779		539	141,287.36	-
Total U.S. Dept. of Health and Human Svcs				<u>\$ 5,000,703.90</u>	<u>\$ -</u>
U.S. Dept of Homeland Security					
Direct Program:					
Assistance to Firefighters Grant				-	-
Total U.S. Dept of Homeland Security	97.044			<u>-</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 5,081,128.91</u>	<u>\$ -</u>

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Direct Program Amount	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		
\$ -	\$ 80,425.01		\$ -	\$ -	\$ 80,425.01	\$ 80,425.01
\$ -	\$ 80,425.01		\$ -	\$ -	\$ 80,425.01	\$ 80,425.01
258,115.89	258,115.89		-	-	258,115.89	258,115.89
2,476,714.79	2,476,714.79		-	-	2,476,714.79	2,476,714.79
102,238.62	102,238.62		-	-	102,238.62	102,238.62
<u>2,837,069.30</u>	<u>2,837,069.30</u>		<u>-</u>	<u>-</u>	<u>2,837,069.30</u>	<u>2,837,069.30</u>
259,511.17	259,511.17		-	-	259,511.17	259,511.17
1,111,902.15	1,111,902.15		-	-	1,111,902.15	1,111,902.15
73,846.55	73,846.55		-	-	73,846.55	73,846.55
-	4,859,416.54		-	-	4,859,416.54	4,859,416.54
-	141,287.36		-	-	141,287.36	141,287.36
<u>\$ 1,445,259.87</u>	<u>\$ 6,445,963.77</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,445,963.77</u>	<u>\$ 6,445,963.77</u>
277,502.36	277,502.36		-	-	277,502.36	277,502.36
277,502.36	277,502.36		-	-	277,502.36	277,502.36
<u>\$ 4,559,831.53</u>	<u>\$ 9,640,960.44</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,640,960.44</u>	<u>\$ 9,640,960.44</u>

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

For the fiscal year ended August 31, 2012

Note 2 - Reconciliation

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

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

Federal Revenue	\$ 4,559,831.53
Federal Grant Pass-Through Revenue	<u>5,081,128.91</u>
 Total Pass-Through and Expenditures per Federal Schedule	 <u><u>\$ 9,640,960.44</u></u>

Separate Disclosure:

Federal Revenue on Exhibit IV, but not considered to be Federal Revenue for the Schedule: Discretely Presented Proprietary Component Unit - Texas Health Insurance Pool (U/F 0393) Entity subject to own audit and not included on Federal Schedule.	\$ 9,243,990.00
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UNAUDITED

Texas Department of Insurance (454)

Schedule 1B - Schedule Of State Grant Pass-Throughs From/To State Agencies

For the fiscal year ended August 31, 2012

STATE GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass-Through From			
	CFDA number	Agy./ Univ. #	Agencies or Univ. Amount	State Entities Amount
Office of the Governor				
Pass-Through From:				
Equipment Purchase and Arson Canine Replacement	300.0021	300	\$ 35,795.22	\$ 35,795.22
Total Office of the Governor			\$ 35,795.22	\$ 35,795.22
TOTAL STATE FINANCIAL ASSISTANCE			\$ 35,795.22	\$ 35,795.22

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

For the fiscal year ended August 31, 2012

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Fire Prevention & Safety (5138)	Total
COLLECTED BY					
THE TEXAS DEPARTMENT OF INSURANCE					
GENERAL FUNDS					
ORIGINAL APPROPRIATIONS					
Original Appropriations	\$ -	\$ 224,406 00	\$ -	\$ -	\$ 224,406 00
TOTAL ORIGINAL APPROPRIATIONS	-	224,406 00	-	-	224,406 00
ADDITIONAL APPROPRIATIONS					
Additional Appropriations	\$ -	\$ 152,498.71	\$ -	\$ -	\$ 152,498.71
TOTAL ADDITIONAL APPROPRIATIONS	-	152,498.71	-	-	152,498.71
TAXES					
Fund 0036 - Taxes - Certified Self-Insurers	\$ 1,096,205.23	\$ -	\$ -	\$ -	\$ 1,096,205 23
TOTAL TAXES	1,096,205.23	-	-	-	1,096,205 23
FEDERAL FUNDS					
U.S. Department of Labor	\$ 2,547,462.77	\$ 289,606 53	\$ -	\$ -	\$ 2,837,069 30
U.S. Department of Health & Human Services	6,298,954.55	147,009 22	-	-	6,445,963.77
Department of Homeland Security	277,502.36	-	-	-	277,502 36
Department of Justice - Pass Thru	80,425.01	-	-	-	80,425 01
The Governor's Office - Pass Thru	35,795.22	-	-	-	35,795 22
TOTAL FEDERAL FUNDS	9,240,139.91	436,615.75	-	-	9,676,755 66
LICENSES, FEES AND PERMITS					
Catastrophic Pool Inspection Fees	\$ 7,355.00	\$ -	\$ -	\$ -	\$ 7,355.00
License Fee - Title Insurance Companies	198,334.35	-	-	-	198,334 35
Filing Fees - Life	218,430.97	-	-	-	218,430 97
Filing Fees - Property and Casualty	245,921.00	-	-	-	245,921 00
Filing Fees - Workers' Compensation	15,000.00	-	-	-	15,000 00
Fees - Certified Self-Insurers	670,654.50	-	-	-	670,654 50
License Fees - Insurance Adjusters and Agents	16,606,198.92	6,669.00	-	-	16,612,867 92
Agents Certification and Clearance Letters	63,849.61	-	-	-	63,849 61
Filing Fees - Third Party Administrators	156,449.46	-	-	-	156,449.46
Filing Fees - Risk Retention & Purchasing Groups	15,000.00	-	-	-	15,000 00
Examination Q of C Sal/Travel	52,981.96	-	-	-	52,981 96
Examination Fees - Overhead Assessment	28,066,617.21	-	-	-	28,066,617 21
Examination Premium Finance	16,298.86	-	-	-	16,298 86
Filing Fees - Policy Approval	413,150.00	-	-	-	413,150 00
Filing Fees - Health Maintenance Organizations	108,227.67	-	-	-	108,227 67
Filing Fees - Insurance Premium Finance	45,553.00	-	-	-	45,553 00
Examination and Assessment Fees	268,850.74	-	-	-	268,850.74
Amusement Ride Safety Inspections	271,945.10	-	-	-	271,945.10
State Fire Marshal Fees	2,925,937.88	-	-	-	2,925,937 88
Miscellaneous Certification Fees	1,396.50	-	-	-	1,396.50
Administrative Fees	345,319.75	-	-	-	345,319.75
Conservation Fees	40,547.31	-	-	-	40,547 31
TOTAL LICENSES, FEES, AND PERMITS	50,754,019.79	6,669.00	-	-	50,760,688.79
SALES OF GOODS AND SERVICES					
Sale of Lists, Bulletins, Rating Data, etc.	\$ 9,125.82	\$ -	\$ -	\$ -	\$ 9,125.82
TOTAL SALES OF GOODS AND SERVICES	9,125.82	-	-	-	9,125.82

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

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

For the fiscal year ended August 31, 2012

	Insurance Operating Account (0036)	General Revenue Fund (0001)	Subsequent Injury Fund (5101)	Fire Prevention & Safety (5138)	Total
OTHER REVENUES					
Warrants Voided By Statute of Limitations	\$ 7,456.96	\$ -	\$ 35,269.22	\$ -	\$ 42,726.18
Reimbursements - Third Party	1,438,231.61	-	-	-	1,438,231.61
Other Miscellaneous Governmental Revenue	3,893.98	-	-	-	3,893.98
Workers' Compensation Insurance Benefits to State	-	-	5,872,309.02	-	5,872,309.02
TOTAL OTHER REVENUES	<u>1,449,582.55</u>	<u>-</u>	<u>5,907,578.24</u>	<u>-</u>	<u>7,357,160.79</u>
TOTAL GENERAL FUNDS COLLECTIONS	<u>62,549,073.30</u>	<u>820,189.46</u>	<u>5,907,578.24</u>	<u>-</u>	<u>69,276,841.00</u>
AGENCY FUNDS COLLECTIONS					
State Sales Tax/Discounts	\$ -	\$ 446.18	\$ -	\$ -	\$ 446.18
Viatical Settlement Registration Fees		2,030.00		-	2,030.00
Utilization Review Fees/ Independent Review Organization		102,327.00		-	102,327.00
Filing Fees - Continuing Care Facilities		39,464.00		-	39,464.00
Returned Check Fees		1,110.00		-	1,110.00
Interest on Local Deposits		85.33		-	85.33
Judgments (Secured by Court Action)		11,636.31		-	11,636.31
Penalty In Lieu of Suspension/Cancellation		6,244,365.40		-	6,244,365.40
Unauthorized Insurance/Administrative Penalties		14,210,436.60		-	14,210,436.60
Other Miscellaneous Governmental Revenue		1,559.40		-	1,559.40
SFMO-Fireworks, Educ Safety		56,990.00		-	56,990.00
License Fees - Insurance Adjusters and Agents		294,635.00		-	294,635.00
Continuing Education Provider Fees		249,409.50		-	249,409.50
TOTAL AGENCY FUNDS COLLECTIONS	<u>-</u>	<u>21,214,494.72</u>	<u>-</u>	<u>-</u>	<u>21,214,494.72</u>
TOTAL COLLECTIONS TEXAS DEPARTMENT OF INSURANCE	<u>\$ 62,549,073.30</u>	<u>\$ 22,034,684.18</u>	<u>\$ 5,907,578.24</u>	<u>\$ -</u>	<u>\$ 90,491,335.72</u>
<u>TRANSFERS IN</u>					
From Comptroller of Public Accounts					
Motor Vehicle Maintenance Tax	\$ 12,119,383.90	\$ -	\$ -	\$ -	\$ 12,119,383.90
Fire and Allied Lines Maintenance Tax	32,267,030.27	-	-	-	32,267,030.27
Workers' Compensation Maintenance Tax	4,926,419.76	-	-	-	4,926,419.76
Casualty Maintenance Tax	7,340,523.18	-	-	-	7,340,523.18
Title Maintenance Fee	4,552,116.97	-	-	-	4,552,116.97
Life/Accident and Health Maintenance Tax	12,033,084.07	-	-	-	12,033,084.07
Third Party Administrator Maintenance Tax	1,305,151.41	-	-	-	1,305,151.41
Health Maintenance Organization Maintenance Tax	4,858,100.20	-	-	-	4,858,100.20
Prepaid Legal Services Maintenance Tax	1,099.85	-	-	-	1,099.85
Annual Statement Filing Fees	226,812.94	-	-	-	226,812.94
Division of Workers' Compensation Maintenance Tax	54,511,445.06	-	-	-	54,511,445.06
Workers' Compensation Research Maint Tax	521,763.03	-	-	-	521,763.03
COMPTROLLER OF PUBLIC ACCOUNTS	<u>134,662,930.64</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,662,930.64</u>
From Other Sources					
From Sale of Fixed Assets	\$ -	\$ 29,790.00	\$ -	\$ -	\$ 29,790.00
TOTAL REVENUES FROM TRANSFERS IN	<u>-</u>	<u>29,790.00</u>	<u>-</u>	<u>-</u>	<u>29,790.00</u>
TOTAL TRANSFERS IN	<u>134,662,930.64</u>	<u>29,790.00</u>	<u>-</u>	<u>-</u>	<u>134,692,720.64</u>
TOTAL REVENUES/TRANSFERS IN	<u>\$ 197,212,003.94</u>	<u>\$ 22,064,474.18</u>	<u>\$ 5,907,578.24</u>	<u>\$ -</u>	<u>\$ 225,184,056.36</u>

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

2003 - 2012

<u>FISCAL</u> <u>YEAR</u>	<u>TAXES</u> <u>COLLECTED</u>	<u>LICENSES</u> <u>& FEES</u>	<u>OTHER</u> <u>REVENUES</u>	<u>TOTAL</u>
2003	55,759,840.69	34,507,376.73	4,056,802.81	94,324,020.23
2004	34,257,607.00	38,820,609.57	10,632,851.92	83,711,068.49
2005	31,636,242.79	35,193,189.82	7,307,232.49	74,136,665.10
2006	105,523,190.31	44,514,896.85	106,591,952.01	256,630,039.17
2007	106,235,978.67	41,481,113.57	15,873,188.81	163,590,281.05
2008	106,577,824.24	35,423,092.34	18,763,013.27	160,763,929.85
2009	109,224,360.62	35,524,442.14	17,474,155.77	162,222,958.53
2010	132,500,456.69	38,901,850.87	21,397,528.08	192,799,835.64
2011	124,831,504.50	38,524,174.59	19,927,592.92	183,283,272.01
2012	135,532,769.11	51,733,467.23	37,917,820.02	225,184,056.36

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