



Annual Financial Report
Fiscal Year Ended August 31, 2017



Texas Department *of* Motor Vehicles

Prepared by the
Finance & Administrative Services Division

November 20, 2017

Texas Department of Motor Vehicles Board

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Whitney H. Brewster
Executive Director

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November 20, 2017

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Ms. Lisa R. Collier, CPA, CFE, CIDA, First Assistant State Auditor

Ladies and Gentlemen:

Attached is the Texas Department of Motor Vehicle's annual financial report for the year ended August 31, 2017, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

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 (CAFR)*; 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 Mr. Sergio Rey, Director of Accounting, at (512) 465-4203, or Ms. Linda M. Flores, CPA, Chief Financial Officer, at (512) 465-4125.

Sincerely,

A handwritten signature in blue ink that reads "Whitney H. Brewster".

Whitney H. Brewster
Executive Director

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COMBINED FINANCIAL STATEMENTS

-UNAUDITED-

**EXHIBIT I
COMBINED BALANCE SHEET
Statement of Net Assets - Governmental Funds
For the Year Ended August 31, 2017**

| | Governmental Fund Types | | Total Governmental | Capital Asset Adjustments | Long Term Liabilities Adjustments | Statement of Net Assets |
|-------------------------------------|------------------------------|------------------------------|--------------------------|---------------------------------|---|----------------------------|
| | General Revenue (EXH A-1) | Special Revenue (EXH B-1) | | | | |
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash on Hand | \$ 0.00 | \$ 15,725.00 | \$ 15,725.00 | \$ | \$ | \$ 15,725.00 |
| Cash in Bank | 0.00 | 20,000.00 | 20,000.00 | | | 20,000.00 |
| Cash in State Treasury | 4,041,815.98 | 52,049,056.88 | 56,090,872.86 | | | 56,090,872.86 |
| Legislative Appropriations | 31,619,638.99 | 0.00 | 31,619,638.99 | | | 31,619,638.99 |
| Receivables: | | | | | | |
| Federal | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Accounts Receivable | 0.00 | 122,414,440.79 | 122,414,440.79 | | | 122,414,440.79 |
| Due From Other Funds (Note 12) | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Due From Other Agencies (Note 12) | 9,817.18 | 0.00 | 9,817.18 | | | 9,817.18 |
| Consumable Inventories | 0.00 | 93,290.87 | 93,290.87 | | | 93,290.87 |
| Total Current Assets | 35,671,272.15 | 174,592,513.54 | 210,263,785.69 | | | 210,263,785.69 |
| Non - Current Assets: | | | | | | |
| Capital Assets: | | | | | | |
| Non - Depreciable | | | | | | |
| Land and Land Improvements | | | | | | |
| Depreciable | | | | | | |
| Buildings and Building Improvements | | | | | | |
| Less - Accumulated Depreciation | | | | | | |
| Furniture and Equipment | | | | 4,991,662.41 | | 4,991,662.41 |
| Less - Accumulated Depreciation | | | | (3,133,671.17) | | (3,133,671.17) |
| Vehicles, Boats, & Aircraft | | | | 887,375.54 | | 887,375.54 |
| Less - Accumulated Depreciation | | | | (815,889.06) | | (815,889.06) |
| Intangibles Computer Software | | | | 3,875,591.07 | | 3,875,591.07 |
| Less - Accumulated Amortization | | | | (2,672,191.83) | | (2,672,191.83) |
| Total Non Current Assets | | | | 3,132,876.96 | | 3,132,876.96 |
| Total Assets | \$ 35,671,272.15 | \$ 174,592,513.54 | \$ 210,263,785.69 | \$ 3,132,876.96 | \$ 0.00 | \$ 213,396,662.65 |

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

Texas Department of Motor Vehicles (608)

| | Governmental Fund Types | | Total Governmental | Capital Asset Adjustments | Long Term Liabilities Adjustments | Statement of Net Assets |
|---|------------------------------|------------------------------|-----------------------|---------------------------------|---|----------------------------|
| | General Revenue (EXH A-1) | Special Revenue (EXH B-1) | | | | |
| Liabilities | | | | | | |
| Current Liabilities: | | | | | | |
| Payables: | | | | | | |
| Vouchers Payable | \$ 1,328.00 | \$ 301,658.17 | \$ 302,986.17 | \$ | \$ | \$ 302,986.17 |
| Accounts Payable | 3,006,424.52 | 7,636,149.13 | 10,642,573.65 | | | 10,642,573.65 |
| Payroll Payable | 41,575.53 | 4,523,654.29 | 4,565,229.82 | | | 4,565,229.82 |
| Due to Other Funds (Note 12) | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Due to Other Agencies (Note 12) | 3,772,486.65 | 0.00 | 3,772,486.65 | | | 3,772,486.65 |
| Unearned Revenues | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Employees Compensable Leave (Note 5) | | | | | 2,806,782.68 | 2,806,782.68 |
| Total Current Liabilities | 6,821,814.70 | 12,461,461.59 | 19,283,276.29 | | 2,806,782.68 | 22,090,058.97 |
| Non-Current Liabilities: | | | | | | |
| Employees' Compensable Leave (Note 5) | | | | | 1,484,351.12 | 1,484,351.12 |
| Total Non-Current Liabilities | | | | | 1,484,351.12 | 1,484,351.12 |
| Total Liabilities | 6,821,814.70 | 12,461,461.59 | 19,283,276.29 | | 4,291,133.80 | 23,574,410.09 |
| Fund Financial Statement | | | | | | |
| Fund Balances: | | | | | | |
| Non Spendable (Inventory) | 0.00 | 93,290.87 | 93,290.87 | | | 93,290.87 |
| Restricted | 0.00 | 162,037,761.08 | 162,037,761.08 | | | 162,037,761.08 |
| Unassigned | 28,849,457.45 | 0.00 | 28,849,457.45 | | | 28,849,457.45 |
| Total Fund Balances | 28,849,457.45 | 162,131,051.95 | 190,980,509.40 | | | 190,980,509.40 |
| Total Liabilities and Fund Balance | \$ 35,671,272.15 | \$ 174,592,513.54 | 210,263,785.69 | | | |

Government-Wide Statement of Net Assets

| | | | | | | |
|---|--|--|--|------------------------|--------------------------|--------------------------|
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | \$ 3,132,876.96 | \$ | \$ 3,132,876.96 |
| Unrestricted | | | | | (4,291,133.80) | (4,291,133.80) |
| Total Net Assets | | | | \$ 3,132,876.96 | \$ (4,291,133.80) | \$ 189,822,252.56 |

-UNAUDITED-

**EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Statement of Activities - Governmental Funds
For the Year Ended August 31, 2017**

| | Governmental Fund Types | | | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Statement of Activities |
|---|-------------------------|------------------------------|---------------------------|----------------------------------|---|----------------------------|
| | General (EXH A-2) | Special Revenue (EXH B-2) | Total Governmental | | | |
| Revenues | | | | | | |
| Legislative Appropriations: | | | | | | |
| Original Appropriations | \$ 14,912,006.00 | \$ 0.00 | \$ 14,912,006.00 | \$ | \$ | \$ 14,912,006.00 |
| Additional Appropriations | 56,924.91 | 0.00 | 56,924.91 | | | 56,924.91 |
| Federal Revenues | 168,969.10 | 0.00 | 168,969.10 | | | 168,969.10 |
| Federal Pass-Through Revenues | 0.00 | 133,107.09 | 133,107.09 | | | 133,107.09 |
| State Grant Pass-Through | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Licenses, Fees and Permits | (7,605,832.32) | 1,705,703,185.35 | 1,698,097,353.03 | | | 1,698,097,353.03 |
| Interest & Investment Income | 2,202.97 | 389,587.73 | 391,790.70 | | | 391,790.70 |
| Settlement of Claims | 0.00 | 866,978.26 | 866,978.26 | | | 866,978.26 |
| Sales of Goods and Services | 472.50 | 353,875.10 | 354,347.60 | | | 354,347.60 |
| Other | 2,723.79 | 470,495.65 | 473,219.44 | | | 473,219.44 |
| Total Revenues | 7,537,466.95 | 1,707,917,229.18 | 1,715,454,696.13 | | | 1,715,454,696.13 |
| Expenditures | | | | | | |
| Salaries and Wages | 542,844.97 | 39,062,871.26 | 39,605,716.23 | | 274,973.95 | 39,880,690.18 |
| Payroll Related Costs | 109,024.40 | 14,020,887.85 | 14,129,912.25 | | | 14,129,912.25 |
| Professional Fees and Services | 5,258,370.88 | 19,294,518.74 | 24,552,889.62 | | | 24,552,889.62 |
| Travel | 33,773.21 | 340,459.23 | 374,232.44 | | | 374,232.44 |
| Materials and Supplies | 2,922,414.71 | 21,218,382.61 | 24,140,797.32 | | | 24,140,797.32 |
| Communications and Utilities | 106,499.70 | 4,992,479.18 | 5,098,978.88 | | | 5,098,978.88 |
| Repairs and Maintenance | 1,620,511.63 | 4,310,815.76 | 5,931,327.39 | | | 5,931,327.39 |
| Rentals and Leases | 19,649.40 | 873,729.57 | 893,378.97 | | | 893,378.97 |
| Printing and Reproduction | 255,745.13 | 4,138,938.79 | 4,394,683.92 | | | 4,394,683.92 |
| Claims and Judgements | 0.00 | 40,000.00 | 40,000.00 | | | 40,000.00 |
| Federal Pass-Through Expenditures | 0.00 | 0.00 | 0.00 | | | 0.00 |
| State Grant Pass-Through Expenditures | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Intergovernmental Payments | 13,306,747.28 | 0.00 | 13,306,747.28 | | | 13,306,747.28 |
| Public Assistance Programs | 0.00 | 0.00 | 0.00 | | | 0.00 |
| Other Operating Expenditures | 113,101.58 | 36,971,010.80 | 37,084,112.38 | | | 37,084,112.38 |
| Capital Outlay | 1,058,513.42 | 21,701.00 | 1,080,214.42 | (1,080,214.42) | | 0.00 |
| Depreciation Expense | | | 0.00 | 1,476,071.54 | | 1,476,071.54 |
| Total Expenditures | 25,347,196.31 | 145,285,794.79 | 170,632,991.10 | 395,857.12 | 274,973.95 | 171,303,822.17 |
| Excess (Deficit) of Revenues over Expenditures | (17,809,729.36) | 1,562,631,434.39 | 1,544,821,705.03 | (395,857.12) | (274,973.95) | 1,544,150,873.96 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In (Note 12) | 0.00 | 23,000,000.00 | 23,000,000.00 | | | 23,000,000.00 |
| Transfers Out (Note 12) | (36,079.37) | (1,535,182,923.08) | (1,535,219,002.45) | | | (1,535,219,002.45) |
| Sale of Capital Assets | (118.13) | 118.13 | 0.00 | | | 0.00 |
| Legislative Financing Sources | 0.00 | - | 0.00 | | | 0.00 |
| Insurance Recoveries | 0.00 | - | 0.00 | | | 0.00 |
| Legislative Transfers In (Note 12) | 0.00 | - | 0.00 | | | 0.00 |
| Legislative Transfers Out (Note 12) | 0.00 | - | 0.00 | | | 0.00 |
| Gain (Loss) on of Capital Assets | 0.00 | - | 0.00 | (75,796.88) | | (75,796.88) |
| Inc (Dec) in Net Assets Due to Interagency Transfer | 0.00 | - | 0.00 | 0.00 | | 0.00 |
| Total Other Financing Sources (Uses) | (36,197.50) | (1,512,182,804.95) | (1,512,219,002.45) | (75,796.88) | 0.00 | (1,512,294,799.33) |
| Net Change in Fund Balances/Net Assets | (17,845,926.86) | 50,448,629.44 | 32,602,702.58 | (471,654.00) | (274,973.95) | 31,856,074.63 |
| Fund Financial Statement - Fund Balance | | | | | | |
| Fund Balance - Beginning | 49,106,306.00 | 111,682,422.51 | 160,788,728.51 | | | 160,788,728.51 |
| Restatements | | | 0.00 | | | 0.00 |
| Fund Balance as Restated | 49,106,306.00 | 111,682,422.51 | 160,788,728.51 | | | 160,788,728.51 |
| Appropriations Lapsed | (2,410,921.69) | | (2,410,921.69) | | | (2,410,921.69) |
| Fund Balances - August 31, 2017 | \$ 28,849,457.45 | \$ 162,131,051.95 | \$ 190,980,509.40 | | | \$ 190,233,881.45 |
| Government-wide Statement of Net Assets | | | | | | |
| Net Change in Net Assets | | | \$ 190,980,509.40 | (471,654.00) | (274,973.95) | \$ 190,233,881.45 |
| Net Assets-Beginning | | | | 3,603,008.56 | (4,016,159.85) | (413,151.29) |
| Restatements | | | | 1,522.40 | | 1,522.40 |
| Net Assets, September 1, 2016, as Restated and Adjusted | | | | 3,604,530.96 | (4,016,159.85) | (411,628.89) |
| Net Assets-August 31, 2017 | | | \$ 190,980,509.40 | 3,132,876.96 | (4,291,133.80) | \$ 189,822,252.56 |

-UNAUDITED-

EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
For Fiscal Year Ended August 31, 2017

| | <u>Agency Funds (Exhibit J-1)</u> |
|----------------------------------|---|
| Assets | |
| Current Assets: | |
| Cash in State Treasury | 17,401,677.92 |
| Accounts Receivable | 0.00 |
| Total Current Assets | \$ <u>17,401,677.92</u> |
| Total Assets | <u>17,401,677.92</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 539,433.35 |
| Funds Held for Others | 16,862,244.57 |
| Total Current Liabilities | <u>17,401,677.92</u> |
| Total Liabilities | \$ <u>17,401,677.92</u> |
| Net Assets | |
| Net Assets: | 0.00 |
| Total Net Assets | \$ <u>0.00</u> |

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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Entity

The Texas Department of Motor Vehicles (TxDMV), created in 2009 by the authority of H.B. 3097, 81st Legislature, Regular Session, is an agency of the State of Texas. TxDMV is responsible for titling and registering vehicles, licensing and regulating of the motor vehicle sales and distribution, salvage dealers, registering commercial oversize/overweight (OS/OW) vehicles, and providing auto theft prevention grants.

The TxDMV has not identified any component units which should have been blended into an appropriated fund.

Basis of Presentation

Due to the statewide requirements included in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements of 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.

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 & Government-wide Adjustment Fund Types

General Revenue Funds

General Revenue Fund (0001) – This fund is used to account for all financial resources of the state except those required to be accounted for in another fund. The following accounts are consolidated into the General Revenue fund.

License Plate Trust Fund (0802) – This fund is used to receive and account for fees charged from the sale of specialty license plates collected under Subchapter G, Transportation Code. Funds are to be used in accordance with their specific statutory purpose.

Suspense Fund (0900) – This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined. Items held in the fund are cleared to the various other funds or refunded to the payer.

Special Revenue Funds

State Highway Fund (0006) – This fund is restricted to expenditures for the building, maintaining, and policing of the state highways. It derives its financing primarily from legally dedicated revenues such as motor fuels tax and vehicle registration fees, and from federal reimbursements for selected construction projects. This fund includes revenue which supports the TxDMV's automated registration and title system.

The agency collected \$18.4 million in revenue from the automation fee authorized by House Bill 3014, 76th Legislature, Regular Session, for a license plate or other registration insignia. The revenue is used to enhance the agency's automated registration and title system.

Texas Department of Motor Vehicles Fund (0010) – This fund is used by the Department for operations, administration, enforcement, accounting costs and related liabilities for the fund. Revenue includes fees from motor vehicle registration, title certificates, special vehicle permits, specialty license plates and other transportation-related permits. This fund was initially enacted by H.B. 2202, 83rd Legislature; however, it was not exempted from funds consolidation. The 84th Legislature recreated the fund through S.B. 1512, and it was exempted in funds consolidation.

Capital Assets Adjustments 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 Adjustments Fund Type

The Long-Term Liabilities Adjustments fund type is used to convert all other governmental fund types' debt from modified accrual to full accrual. The composition of this fund type is discussed in Note 5.

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 held in a custodial capacity for the benefit of other agencies or individuals.

Proportional Registration Distributive Trust Fund (0021) – This fund is used primarily to collect and distribute registration fees from trucking companies that operate in more than one state. The fees are distributed to the individual states based on mileage driven.

Unified Carrier Registration Unappropriated Fund (0645) – This fund is used primarily to collect and distribute registration fees from motor carriers, motor private carriers, brokers, freight forwarders, and leasing companies that operate in more than one state. The fees are distributed in accordance to the Unified Carrier Registration System (49 U.S.C. Section 13908.)

Unified Carrier Registration TxDMV Fund (1645) – This fund replaces Fund 0645 in Fiscal Year 2017, but retains the same functions. It moves the agency fund from within General Revenue Fund 0001 to the TxDMV Fund.

Child Support Deductions (0807) – This fund is used as a holding account where child support payroll deductions are held until disbursed.

City, County, MTA, & SPD Fund (0882) - This fund is used as a holding account where taxes for the state are collected until disbursed.

Suspense Fund (0900) - This fund is used when depositing funds where final disposition has not been determined at the time of the receipt of funds.

Direct Deposit Correction Account (0980) – This fund is used to temporarily hold and account for direct deposits that are unable to be processed until the correct disposition of the item is determined.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and 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 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. For federal contracts and grants, revenues have been accrued to the extent earned by eligible expenditures within each fiscal year. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

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). The Board adopts an annual operating budget and policies consistent with these appropriations. Encumbrance accounting is utilized for budgetary control purposes. An encumbrance is defined as an outstanding purchase order or other commitment for goods or services. It reserves a part of the applicable appropriation for future expenditure. Encumbrance balances are reported in Note 15.

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

Assets, Liabilities and Fund Balances

Assets

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. Cash in bank represents the TxDMV Travel Advance Fund.

Receivables

The receivables represent revenue from fees and federal funds that has been earned but not received. This account is presented net of Allowance for Bad Debts.

Inventories and Prepaid Items

This represents supplies and postage on hand. Supplies for governmental funds are accounted for using

the consumption method of accounting. The cost of these items is recognized as expenditure when 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 are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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.

Payroll Payable

Payroll payable represents the liability for the August payroll payable on September 1st.

Employees' Compensable Leave

Employees' compensable leave represents the liability that becomes 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 non-current in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Fund Balance/Net Assets

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

Fund Balance Components

Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in 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.

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 outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

Unrestricted Net Assets

Unrestricted net assets consist of net assets that have no constraints placed on net asset use by external sources or by law through constitutional provisions or enabling legislation. Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

Interfund Activities and Balances

The agency has the following types of transactions among funds:

Transfers

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

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 into the reimbursed fund.

Accrual of Operating Transfers, Reimbursements, and Residual Equity Transfers are shown as Due To and Due From instead of accounts receivable or accounts payable.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2017, is presented below:

| Governmental Activities | PRIMARY GOVERNMENT | | | | | | | |
|--|------------------------|--------------------|------------------------------|---|---|---------------------|---------------------|------------------------|
| | Balance 09/01/16 | Adjust/ Restate | Reclass. Completed CIP | Reclass. Increase Inter-Agency Transaction | Reclass. Decrease Inter-Agency Transaction | Additions | Deletions | Balance 08/31/17 |
| Non-Depreciable Assets | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Total Non-Depreciable Assets | | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Buildings/Building Improvements | | | | | | | | |
| Furniture and Equipment | 4,380,134.65 | 5,327.00 | | | | 968,026.26 | (361,825.50) | 4,991,662.41 |
| Vehicles, Boats, & Aircraft | 887,375.54 | | | | | | | 887,375.54 |
| Other Assets | | | | | | | | |
| Total Depreciable Assets | 5,267,510.19 | 5,327.00 | | | | 968,026.26 | (361,825.50) | 5,879,037.95 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings/Building Improvements | | | | | | | | |
| Furniture and Equipment | (2,707,907.25) | (3,804.60) | | | | (708,253.94) | 286,294.62 | (3,133,671.17) |
| Vehicles, Boats, & Aircraft | (811,969.62) | | | | | (3,919.44) | | (815,889.06) |
| Other Capital Assets | | | | | | | | |
| Total Accumulated Depreciation | (3,519,876.87) | (3,804.60) | | | | (712,173.38) | 286,294.62 | (3,949,560.23) |
| Depreciable Assets, Net | 1,747,633.32 | 1,522.40 | | | | 255,852.88 | (75,530.88) | 1,929,477.72 |
| Amortizable Assets – Intangible: | | | | | | | | |
| Land Use Rights | | | | | | | | |
| Computer Software | 3,768,722.91 | | | | | 112,188.16 | (5,320.00) | 3,875,591.07 |
| Other Capital Intangible | | | | | | | | |
| Total Amortizable Assets – Intangible | 3,768,722.91 | | | | | 112,188.16 | (5,320.00) | 3,875,591.07 |
| Less Accumulated Amortization for: | | | | | | | | |
| Land Use Rights | | | | | | | | |
| Computer Software | (1,913,347.67) | | | | | (763,898.16) | 5,054.00 | (2,672,191.83) |
| Other Capital Intangible | | | | | | | | |
| Total Accumulated Amortization | (1,913,347.67) | | | | | (763,898.16) | 5,054.00 | (2,672,191.83) |
| Amortizable Assets – Intangible, Net | 1,855,375.24 | | | | | (651,710.00) | (266.00) | 1,203,399.24 |
| Governmental Activities Capital Assets, Net | \$ 3,603,008.56 | 1,522.40 | | | | (395,857.12) | (75,796.88) | \$ 3,132,876.96 |

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

As of August 31, 2017, the carrying amount of deposits was \$20,000.00 as presented below:

| | Amount |
|---------------------------------------|---------------------|
| Cash in Bank – Carrying Amount | \$ 20,000.00 |
| Total Cash in Bank (Exhibit I) | \$ 20,000.00 |

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities.

| Governmental Activities | Balance 9/01/16 | Additions | Reductions | Balance 8/31/17 | Amounts Due Within Year |
|-------------------------|-----------------|----------------|----------------|-----------------|-------------------------|
| Compensable Leave | \$4,016,159.85 | \$4,543,383.77 | \$4,268,409.82 | \$4,291,133.80 | \$2,806,782.68 |

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 vacation 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. An expense and liability for proprietary fund types are 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 6: BONDED INDEBTEDNESS

Not Applicable

NOTE 7: DERIVATIVE INSTRUMENTS

Not Applicable

NOTE 8: LEASES

Operating Leases

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

| Fund Type | Amount |
|-----------|---------------|
| Fund 0001 | \$ 17,287.45 |
| Fund 0010 | \$ 838,286.16 |

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

| Year Ended August 31 | Amount |
|---|------------------------|
| 2018 | \$ 824,402.57 |
| 2019 | 781,864.99 |
| 2020 | 637,727.54 |
| 2021 | 425,783.15 |
| 2022 | 380,642.64 |
| 2023-27 | 812,638.69 |
| Total Minimum Future Lease Rental Payments | \$ 3,863,059.58 |

NOTE 9: PENSION PLANS AND OPTIONAL RETIREMENT PROGRAM

Not Applicable

NOTE 10: DEFERRED COMPENSATION

Not Applicable

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2017, are as follows:

| | Due from Other Agencies | Due to Other Agencies | Source |
|-------------------------------|-------------------------|-----------------------|-------------|
| General Revenue (01) | | | |
| Appd Fund 0802, D23 fund 0802 | | | |
| Agy 300, D23 fund 0803 | | 41,786.93 | Shared Fund |
| Agy 300, D23 fund 0804 | | 29,333.43 | Shared Fund |
| Agy 300, D23 fund 0805 | | 12,946.60 | Shared Fund |
| Agy 300, D23 fund 0807 | | 1,414.75 | Shared Fund |
| Agy 302, D23 fund 0804 | | 73,357.30 | Shared Fund |
| Agy 302, D23 fund 0805 | | 8,999.44 | Shared Fund |
| Agy 305, D23 fund 0015 | | 21,657.64 | Shared Fund |
| Agy 306, D23 fund 0802 | | 12,882.83 | Shared Fund |
| Agy 332, D23 fund 0802 | | 222.28 | Shared Fund |
| Agy 403, D23 fund 3005 | | 878.60 | Shared Fund |
| Agy 403, D23 fund 3006 | | 489.11 | Shared Fund |
| Agy 411, D23 fund 0802 | | 2,885.51 | Shared Fund |
| Agy 506, D23 fund 0802 | | 6,690.02 | Shared Fund |
| Agy 529, D23 fund 0802 | | 24,990.32 | Shared Fund |
| Agy 530, D23 fund 0802 | | 5,316.12 | Shared Fund |
| Agy 537, D23 fund 0802 | | 23,129.86 | Shared Fund |
| Agy 537, D23 fund 0803 | | 957,780.45 | Shared Fund |
| Agy 537, D23 fund 0804 | | 19,751.77 | Shared Fund |
| Agy 537, D23 fund 0805 | | 44,733.15 | Shared Fund |
| Agy 539, D23 fund 0802 | | 277.98 | Shared Fund |
| Agy 542, D23 fund 0802 | | 50.26 | Shared Fund |
| Agy 542, D23 fund 4100 | 9,806.18 | | Shared Fund |
| Agy 542, D23 fund 4200 | | 20,136.46 | Shared Fund |
| Agy 551, D23 fund 0802 | | 78,611.25 | Shared Fund |
| Agy 555, D23 fund 1802 | | 8,576.45 | Shared Fund |
| Agy 555, D23 fund 2802 | | 9,775.80 | Shared Fund |
| Agy 555, D23 fund 3802 | | 2,177.21 | Shared Fund |
| Agy 576, D23 fund 0802 | | 11,999.12 | Shared Fund |
| Agy 582, D23 fund 0802 | | 993.75 | Shared Fund |
| Agy 701, D23 fund 2242 | | 1,090.64 | Shared Fund |
| Agy 701, D23 fund 2250 | | 3,734.94 | Shared Fund |
| Agy 701, D23 fund 2260 | | 22.00 | Shared Fund |
| Agy 701, D23 fund 2270 | | 3,138.33 | Shared Fund |
| Agy 701, D23 fund 2271 | | 3,361.60 | Shared Fund |
| Agy 701, D23 fund 2273 | | 6,321.26 | Shared Fund |
| Agy 701, D23 fund 2274 | | 4,145.78 | Shared Fund |
| Agy 711, D23 fund 0802 | | 40,792.90 | Shared Fund |
| Agy 713, D23 fund 0802 | 11.00 | | Shared Fund |

| | Due from Other Agencies | Due to Other Agencies | Source |
|------------------------|-------------------------|-----------------------|-------------|
| Agy 714, D23 fund 0802 | | 14,831.76 | Shared Fund |
| Agy 715, D23 fund 0802 | | 115,671.20 | Shared Fund |
| Agy 717, D23 fund 0802 | | 18,752.88 | Shared Fund |
| Agy 721, D23 fund 0802 | | 239,590.22 | Shared Fund |
| Agy 724, D23 fund 0802 | | 49,547.20 | Shared Fund |
| Agy 730, D23 fund 0802 | | 18.61 | Shared Fund |
| Agy 732, D23 fund 0802 | | 1,358.25 | Shared Fund |
| Agy 733, D23 fund 0802 | | 18,444.90 | Shared Fund |
| Agy 734, D23 fund 0802 | | 618.92 | Shared Fund |
| Agy 735, D23 fund 0802 | | 1.00 | Shared Fund |
| Agy 737, D23 fund 0802 | | 116.91 | Shared Fund |
| Agy 738, D23 fund 0802 | | 2,852.69 | Shared Fund |
| Agy 743, D23 fund 0802 | | 110.01 | Shared Fund |
| Agy 751, D23 fund 0802 | | 1,992.31 | Shared Fund |
| Agy 752, D23 fund 0802 | | 36,375.48 | Shared Fund |
| Agy 753, D23 fund 0802 | | 4,447.40 | Shared Fund |
| Agy 754, D23 fund 0802 | | 50,178.20 | Shared Fund |
| Agy 755, D23 fund 0802 | | 18,265.42 | Shared Fund |
| Agy 756, D23 fund 0802 | | 20,683.23 | Shared Fund |
| Agy 757, D23 fund 0802 | | 7,403.18 | Shared Fund |
| Agy 759, D23 fund 0802 | | 578.86 | Shared Fund |
| Agy 760, D23 fund 0802 | | 11.00 | Shared Fund |
| Agy 760, D23 fund 1802 | | 1.83 | Shared Fund |
| Agy 765, D23 fund 0802 | | 1,743.82 | Shared Fund |
| Agy 781, D23 fund 4001 | | 22.00 | Shared Fund |
| Agy 781, D23 fund 4002 | | 20.16 | Shared Fund |
| Agy 781, D23 fund 4003 | | 1,595.88 | Shared Fund |
| Agy 781, D23 fund 4004 | | 102.66 | Shared Fund |
| Agy 781, D23 fund 4005 | | 2,889.56 | Shared Fund |
| Agy 781, D23 fund 4006 | | 22.00 | Shared Fund |
| Agy 781, D23 fund 4007 | | 628.82 | Shared Fund |
| Agy 781, D23 fund 4008 | | 80,609.34 | Shared Fund |
| Agy 781, D23 fund 4009 | | 35,488.15 | Shared Fund |
| Agy 781, D23 fund 4010 | | .25 | Shared Fund |
| Agy 781, D23 fund 4011 | | 248.50 | Shared Fund |
| Agy 781, D23 fund 4012 | | 9,245.07 | Shared Fund |
| Agy 781, D23 fund 4013 | | 66.00 | Shared Fund |
| Agy 781, D23 fund 4014 | | 403.32 | Shared Fund |
| Agy 781, D23 fund 4015 | | 22.00 | Shared Fund |
| Agy 781, D23 fund 4016 | | 110.00 | Shared Fund |
| Agy 781, D23 fund 4017 | | 166.83 | Shared Fund |
| Agy 781, D23 fund 4018 | | 176.00 | Shared Fund |
| Agy 781, D23 fund 4019 | | 275.00 | Shared Fund |
| Agy 781, D23 fund 4022 | | 20.16 | Shared Fund |
| Agy 783, D23 fund 0802 | | 14,365.64 | Shared Fund |
| Agy 802, D23 fund 3030 | | 35,567.30 | Shared Fund |
| Agy 802, D23 fund 3043 | | 600,850.72 | Shared Fund |

| | Due from Other Agencies | Due to Other Agencies | Source |
|---|-------------------------|------------------------|-------------|
| Agy 802, D23 fund 3044 | | 124,900.83 | Shared Fund |
| Agy 802, D23 fund 3045 | | 105,008.82 | Shared Fund |
| Agy 802, D23 fund 3046 | | 30,906.30 | Shared Fund |
| Agy 802, D23 fund 3047 | | 193,516.42 | Shared Fund |
| Agy 802, D23 fund 3048 | | 32,837.96 | Shared Fund |
| Agy 802, D23 fund 3049 | | 26,808.48 | Shared Fund |
| Agy 802, D23 fund 3050 | | 10,538.70 | Shared Fund |
| Agy 802, D23 fund 3057 | | 56,918.90 | Shared Fund |
| Agy 802, D23 fund 3116 | | 17,894.84 | Shared Fund |
| Agy 802, D23 fund 3120 | | 22,819.65 | Shared Fund |
| Agy 802, D23 fund 3142 | | 31,177.04 | Shared Fund |
| Agy 802, D23 fund 3151 | | 2,667.39 | Shared Fund |
| Agy 808, D23 fund 0802 | | 1,640.29 | Shared Fund |
| Agy 813, D23 fund 0802 | | 241,996.86 | Shared Fund |
| Agy 902, D23 fund 8020 | | 1,911.69 | Shared Fund |
| Total Due From/To Other Agencies | \$ 9,817.18 | \$ 3,772,486.65 | |

| | Transfer In | Transfer Out | Source |
|-------------------------------|-------------------------|----------------------------|------------------------------|
| General Revenue (01) | | | |
| Appd Fund 0001, D23 fund 0001 | | | |
| Agy 902, D23 fund 0001 | | 354.37 | Surplus Property |
| Appd Fund 0001, D23 fund 0001 | | | |
| Agy 902, D23 fund 0001 | | 35,725.00 | Petty & Travel Cash |
| Special Revenue (02) | | | |
| Appd Fund 0010, D23 fund 0010 | | | |
| Agy 902, D23 fund 0001 | 23,000,000.00 | | Start Up Funds for Fund 0010 |
| Appd Fund 0006, D23 fund 0006 | | | |
| Agy 601, D23 fund 0006 | | 1,535,182,923.08 | Shared Cash |
| Total Transfers In/Out | \$ 23,000,000.00 | \$ 1,535,219,002.45 | |

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2019, unless continued in existence by the Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2020, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During Fiscal Year 2017, a net increase in the amount of \$ 1,522.40, was made to total Net Assets. This adjustment was necessary due to a previously disposed asset recovered in Fiscal Year 2017.

NOTE 15: CONTINGENCIES AND COMMITMENTS**Federal Assistance**

The TxDMV receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Management believes such disallowance, if any, will be immaterial.

Encumbrances

As of August 31, 2017, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

| | General Revenue Fund (0001) | Special Revenue Fund (0006) | Tx Dept of Motor Vehicle Fund (0010) |
|--------------|--------------------------------|--------------------------------|---|
| Encumbrances | \$ 8,453,519.48 | \$ 1,516,016.40 | \$ 4,096,862.20 |

NOTE 16: SUBSEQUENT EVENTS

Not Applicable

NOTE 17: RISK MANAGEMENT

The department is exposed to a wide range of risks, due to the size, scope and nature of its activities. Some of these risks include, but are not limited to property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The department retains these risks, and manages them through insurance and safety programs. In FY2017, the department had \$ 40,000.00 in payments related to claims.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------|-------------------|--------------|----------------|----------------|
| 2017 | - | \$ 40,000.00 | (\$ 40,000.00) | - |

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

During Fiscal Year 2017, TxDMV transitioned to a new method of finance due to the re-creation of the TxDMV Fund. The agency's method of finance for FY 2017 appropriations was primarily funded through the TxDMV Fund, with the exception of the Automobile Burglary and Theft Prevention Authority strategy funded through General Revenue. Approximately \$25.1 million in General Revenue Funds were carry-forward from Fiscal Year 2016 for capital projects into Fiscal Year 2017. An additional \$16.2 million in State Highway Funds were carried forward from Fiscal Year 2016 into Fiscal Year 2017 for the same purpose. The TxDMV was granted authority to carry-forward these unexpended balances for capital projects through a rider in H.B. 1, 84th Legislature, Regular Session (the General Appropriations Act).

In August, 2016, the TxDMV adopted a Processing & Handling (P&H) Fee for registrations effective January 1, 2017, through the authority granted to the department with the enactment of H.B. 2202, 83rd Legislature, Regular Session. This fee was authorized and adopted to support the registration functions of the department, as well as to offset costs incurred by County Tax-Assessor collectors and authorized deputies for the collection of registration-related

duties. P&H fee deposits began in November 2016.

For Fiscal Year 2017, fund revenue collections for all funds were \$1.82 billion compared to Fiscal Year 2016 collections of \$1.75 billion. This represents an increase of \$68.4 million or 3.9% more than Fiscal Year 2016. The increases in revenue is attributable to increased oversize/overweight carrier permit, business dealer license and title revenues.

Fiscal Year 2017 expenditures through August 31, 2017 totaled \$168 million. Significant expenditure increases focused on postage, computer equipment and maintenance and repairs. Capital budget expenses totaled \$33.9 million primarily consisting of expenditures for the TxDMV Automation project (\$14.4 million), Data Center Consolidation contract (\$8.8 million), the County Technology Replacement & Upgrades (\$7.5 million) and the Application Migration and Server Transformation (AMSIT) project (\$1.7 million). Other capital expenditures for Agency Growth and Enhancement, Physical Security, Commercial Vehicle Information Systems and Networks (CVISN) and Regional Service Center relocations totaled \$1.5 million.

The largest portion of Automation expenditures were for costs associated with the Registration and Titling System (RTS) Refactoring project (\$6.9 million) and the eLICENSING project (\$6.0 million).

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not Applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not Applicable

NOTE 21:

Not Applicable to the reporting requirement process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not Applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not Applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not Applicable

NOTE 25: TERMINATION BENEFITS

Not Applicable

NOTE 26: SEGMENT INFORMATION

Not Applicable

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Applicable

NOTE 28: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Not Applicable

NOTE 29: TROUBLE DEBT RESTRUCTURING

Not Applicable

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Applicable



COMBINING FINANCIAL STATEMENTS

-UNAUDITED-

**EXHIBIT A-1
COMBINING BALANCE SHEET
All General and Consolidated Funds
For the Year Ended August 31, 2017**

| | General Revenue Account (0001) | License Plate Trust Fund Account (0802) | Suspense Type Activities Account (0900) | Returned Items Type Activities Account (9001) | Total |
|--|---|--|--|--|-------------------------|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash on Hand | \$ | \$ | \$ | \$ | \$ 0.00 |
| Cash in Bank | | | | | 0.00 |
| Cash in State Treasury | 32,627.00 | 3,991,136.28 | 50,679.70 | (32,627.00) | 4,041,815.98 |
| Legislative Appropriations | 31,619,638.99 | | | | 31,619,638.99 |
| Receivables: | | | | | |
| Federal | | | | | 0.00 |
| Accounts Receivable | | | | | 0.00 |
| Due From Other Funds (Note 12) | | | | | 0.00 |
| Due From Other Agencies (Note 12) | | 9,817.18 | | | 9,817.18 |
| Consumable Inventories | | | | | 0.00 |
| Total Current Assets | 31,652,265.99 | 4,000,953.46 | 50,679.70 | (32,627.00) | 35,671,272.15 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Payables: | | | | | |
| Vouchers Payable | 1,328.00 | | | | 1,328.00 |
| Account Payable | 3,006,424.52 | | | | 3,006,424.52 |
| Payroll Payable | 41,575.53 | | | | 41,575.53 |
| Due to Other Funds (Note 12) | | | | | 0.00 |
| Due to Other Agencies (Note 12) | | 3,772,486.65 | | | 3,772,486.65 |
| Total Current Liabilities | 3,049,328.05 | 3,772,486.65 | 0.00 | 0.00 | 6,821,814.70 |
| Fund Balances | | | | | |
| Non Spendable (Inventory) | | | | | 0.00 |
| Restricted | | | | | |
| Unassigned | 28,602,937.94 | 228,466.81 | 50,679.70 | (32,627.00) | 28,849,457.45 |
| Total Fund Balance | 28,602,937.94 | 228,466.81 | 50,679.70 | (32,627.00) | 28,849,457.45 |
| Total Liabilities and Fund Balances | \$ 31,652,265.99 | \$ 4,000,953.46 | \$ 50,679.70 | \$ (32,627.00) | \$ 35,671,272.15 |

-UNAUDITED-

**EXHIBIT B-1
COMBINING BALANCE SHEET
Special Revenue Funds
For Fiscal Year Ended August 31, 2017**

| | State Highway Fund (0006) | Texas Department of Motor Vehicles Fund (0010) | Suspense Type Activities Fund (0900) | Total |
|--|--|---|---|--------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash on Hand | \$ | \$ 15,725.00 | \$ | \$ 15,725.00 |
| Cash in Bank | | 20,000.00 | | 20,000.00 |
| Cash in State Treasury | | 51,856,042.60 | 193,014.28 | 52,049,056.88 |
| Legislative Appropriations | | | | 0.00 |
| Receivables: | | | | |
| Federal | | | | 0.00 |
| Accounts Receivable | 118,830,427.03 | 3,584,013.76 | | 122,414,440.79 |
| Due From Other Funds (Note 12) | | | | 0.00 |
| Due From Other Agencies (Note 12) | | | | 0.00 |
| Consumable Inventories | | 93,290.87 | | 93,290.87 |
| Total Current Assets | <u>118,830,427.03</u> | <u>55,569,072.23</u> | <u>193,014.28</u> | <u>174,592,513.54</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Payables: | | | | |
| Vouchers Payable | | 301,658.17 | | 301,658.17 |
| Account Payable | 98,597.75 | 7,537,551.38 | | 7,636,149.13 |
| Payroll Payable | | 4,523,654.29 | | 4,523,654.29 |
| Due to Other Funds (Note 12) | | | | 0.00 |
| Due to Other Agencies (Note 12) | | | | 0.00 |
| Total Current Liabilities | <u>98,597.75</u> | <u>12,362,863.84</u> | <u>0.00</u> | <u>12,461,461.59</u> |
| Fund Balances | | | | |
| Non Spendable (Inventory) | | 93,290.87 | | 93,290.87 |
| Restricted | 118,731,829.28 | 43,112,917.52 | 193,014.28 | 162,037,761.08 |
| Unassigned | | | | 0.00 |
| Total Fund Balance | <u>118,731,829.28</u> | <u>43,206,208.39</u> | <u>193,014.28</u> | <u>162,131,051.95</u> |
| Total Liabilities and Fund Balances | \$ <u>118,830,427.03</u> | \$ <u>55,569,072.23</u> | \$ <u>193,014.28</u> | \$ <u>174,592,513.54</u> |

-UNAUDITED-

**EXHIBIT A-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
All General and Consolidated Funds
For the Year Ended August 31, 2017**

| | General Revenue Account (0001) | License Plate Trust Fund Account (0802) | Suspense Type Activities Account (0900) | Returned Items Type Activities Account (9001) | Totals |
|--|---|--|--|--|-------------------------|
| Revenues | | | | | |
| Legislative Appropriations : | | | | | |
| Original Appropriations | \$ 14,912,006.00 | \$ | \$ | | \$ 14,912,006.00 |
| Additional Appropriations | 56,924.91 | | | | 56,924.91 |
| Federal Revenues | 168,969.10 | | | | 168,969.10 |
| Federal Pass-Through | | | | | 0.00 |
| State Grant Pass -Through | | | | | 0.00 |
| Licenses, Fees and Permits | (7,663,566.32) | 7,054.30 | 50,679.70 | | (7,605,832.32) |
| Interest & Investment Income | | 2,202.97 | | | 2,202.97 |
| Settlement of Claims | | | | | 0.00 |
| Sales of Goods and Services | 472.50 | | | | 472.50 |
| Other Revenues | | | | 2,723.79 | 2,723.79 |
| Total Revenues | 7,474,806.19 | 9,257.27 | 50,679.70 | 2,723.79 | 7,537,466.95 |
| Expenditures | | | | | |
| Salaries and Wages | 542,844.97 | | | | 542,844.97 |
| Payroll Related Costs | 109,024.40 | | | | 109,024.40 |
| Professional Fees and Services | 5,258,370.88 | | | | 5,258,370.88 |
| Travel | 33,773.21 | | | | 33,773.21 |
| Materials and Supplies | 2,922,414.71 | | | | 2,922,414.71 |
| Communications and Utilities | 106,499.70 | | | | 106,499.70 |
| Repairs and Maintenance | 1,620,511.63 | | | | 1,620,511.63 |
| Rentals and Leases | 19,649.40 | | | | 19,649.40 |
| Printing and Reproduction | 255,745.13 | | | | 255,745.13 |
| Claims and Judgements | | | | | 0.00 |
| Federal Pass-Through Expenditures | | | | | 0.00 |
| State Grant Pass-Through Expenditures | | | | | 0.00 |
| Intergovernmental Payments | 13,306,747.28 | | | | 13,306,747.28 |
| Public Assistance Programs | | | | | 0.00 |
| Other Operating Expenditures | 113,101.58 | | | | 113,101.58 |
| Capital Outlay | 1,058,513.42 | | | | 1,058,513.42 |
| Total Expenditures | 25,347,196.31 | 0.00 | 0.00 | 0.00 | 25,347,196.31 |
| Excess (Deficit) of Revenues over Expenditures | (17,872,390.12) | 9,257.27 | 50,679.70 | 2,723.79 | (17,809,729.36) |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers In (Note 12) | | | | | 0.00 |
| Operating Transfers Out (Note 12) | (36,079.37) | | | | (36,079.37) |
| Insurance Recoveries | | | | | 0.00 |
| Sale of Capital Assets | (118.13) | | | | (118.13) |
| Legislative Financing Sources | | | | | 0.00 |
| Legislative Transfers In (Note 12) | | | | | 0.00 |
| Legislative Transfers Out (Note 12) | | | | | 0.00 |
| Total Other Financing Sources (Uses) | (36,197.50) | 0.00 | 0.00 | 0.00 | (36,197.50) |
| Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses | (17,908,587.62) | 9,257.27 | 50,679.70 | 2,723.79 | (17,845,926.86) |
| Fund Balance - Beginning | 48,922,447.25 | 219,209.54 | 0.00 | (35,350.79) | 49,106,306.00 |
| Restatements | | | | | 0.00 |
| Fund Balance As Restated | 48,922,447.25 | 219,209.54 | 0.00 | (35,350.79) | 49,106,306.00 |
| Appropriations Lapsed | (2,410,921.69) | | | | (2,410,921.69) |
| Fund Balance - Ending | \$ 28,602,937.94 | \$ 228,466.81 | \$ 50,679.70 | \$ (32,627.00) | \$ 28,849,457.45 |

-UNAUDITED-

EXHIBIT B-2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Special Revenue Funds
For the Year Ended August 31, 2017

| | State Highway Fund (0006) | Texas Department of Motor Vehicles Fund (0010) | Suspense Type Activities Account (0900) | Totals |
|--|------------------------------------|---|--|---------------------------|
| Revenues | | | | |
| Legislative Appropriations: | | | | |
| Original Appropriations | \$ | \$ | \$ | \$ 0.00 |
| Additional Appropriations | | | | 0.00 |
| Federal Revenues | | | | 0.00 |
| Federal Pass-Through | | 133,107.09 | | 133,107.09 |
| State Grant Pass-Through | | | | 0.00 |
| Licenses, Fees and Permits | 1,552,715,880.75 | 152,794,290.32 | 193,014.28 | 1,705,703,185.35 |
| Interest & Investment Income | | 389,587.73 | | 389,587.73 |
| Settlement of Claims | | 866,978.26 | | 866,978.26 |
| Sales of Goods and Services | 0.10 | 353,875.00 | | 353,875.10 |
| Other Revenues | 427,140.74 | 43,354.91 | | 470,495.65 |
| Total Revenues | 1,553,143,021.59 | 154,581,193.31 | 193,014.28 | 1,707,917,229.18 |
| Expenditures | | | | |
| Salaries and Wages | 480.00 | 39,062,391.26 | | 39,062,871.26 |
| Payroll Related Costs | 82.32 | 14,020,805.53 | | 14,020,887.85 |
| Professional Fees and Services | 9,161,492.89 | 10,133,025.85 | | 19,294,518.74 |
| Travel | 503.00 | 339,956.23 | | 340,459.23 |
| Materials and Supplies | 782,887.86 | 20,435,494.75 | | 21,218,382.61 |
| Communications and Utilities | | 4,992,479.18 | | 4,992,479.18 |
| Repairs and Maintenance | 2,195,784.30 | 2,115,031.46 | | 4,310,815.76 |
| Rentals and Leases | | 873,729.57 | | 873,729.57 |
| Printing and Reproduction | | 4,138,938.79 | | 4,138,938.79 |
| Claims and Judgements | | 40,000.00 | | 40,000.00 |
| Federal Pass-Through Expenditures | | | | 0.00 |
| State Grant Pass-Through Expenditures | | | | 0.00 |
| Intergovernmental Payments | | | | 0.00 |
| Public Assistance Programs | | | | 0.00 |
| Other Operating Expenditures | (1,230,538.63) | 38,201,549.43 | | 36,971,010.80 |
| Capital Outlay | | 21,701.00 | | 21,701.00 |
| Total Expenditures | 10,910,691.74 | 134,375,103.05 | 0.00 | 145,285,794.79 |
| Excess (Deficit) of Revenues over Expenditures | 1,542,232,329.85 | 20,206,090.26 | 193,014.28 | 1,562,631,434.39 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfers In (Note 12) | | 23,000,000.00 | | 23,000,000.00 |
| Operating Transfers Out (Note 12) | (1,535,182,923.08) | | | (1,535,182,923.08) |
| Sale of Capital Assets | | 118.13 | | 118.13 |
| Legislative Financing Sources | | | | 0.00 |
| Insurance Recoveries | | | | 0.00 |
| Legislative Transfers In (Note 12) | | | | 0.00 |
| Legislative Transfers Out (Note 12) | | | | 0.00 |
| Total Other Financing Sources (Uses) | (1,535,182,923.08) | 23,000,118.13 | 0.00 | (1,512,182,804.95) |
| Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses | 7,049,406.77 | 43,206,208.39 | 193,014.28 | 50,448,629.44 |
| Fund Balance - Beginning | 111,682,422.51 | 0.00 | 0.00 | 111,682,422.51 |
| Restatements | | | | 0.00 |
| Fund Balance As Restated | 111,682,422.51 | 0.00 | 0.00 | 111,682,422.51 |
| Appropriations Lapsed | | | | 0.00 |
| Fund Balance - Ending | \$ 118,731,829.28 | \$ 43,206,208.39 | \$ 193,014.28 | \$ 162,131,051.95 |

-UNAUDITED-

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
For Fiscal Year Ended August 31, 2017

| | <u>Beginning Balances September 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balances August 31, 2017</u> |
|--|---|--------------------------|--------------------------|--|
| Unified Carrier Registration-Unappropriated Fund (0645) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 0.00 | 9,887,406.44 | 9,887,406.44 | 0.00 |
| Accounts Receivable | 133,455.47 | 0.00 | 133,455.47 | 0.00 |
| Total Assets | \$ <u>133,455.47</u> | \$ <u>9,887,406.44</u> | \$ <u>10,020,861.91</u> | \$ <u>0.00</u> |
| Liabilities: | | | | |
| Accounts Payable | 0.00 | 1,099,727.44 | 1,099,727.44 | 0.00 |
| Funds Held for Others | 133,455.47 | 9,753,950.97 | 9,887,406.44 | 0.00 |
| Total Liabilities | \$ <u>133,455.47</u> | \$ <u>10,853,678.41</u> | \$ <u>10,987,133.88</u> | \$ <u>0.00</u> |
| Unified Carrier Registration - Tx Department of Motor Vehicle Fund (1645) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 0.00 | 7,116,194.47 | 6,990,074.00 | 126,120.47 |
| Accounts Receivable | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets | \$ <u>0.00</u> | \$ <u>7,116,194.47</u> | \$ <u>6,990,074.00</u> | \$ <u>126,120.47</u> |
| Liabilities: | | | | |
| Accounts Payable | 0.00 | 6,989,542.00 | 6,989,542.00 | 0.00 |
| Funds Held for Others | 0.00 | 7,116,194.47 | 6,990,074.00 | 126,120.47 |
| Total Liabilities | \$ <u>0.00</u> | \$ <u>14,105,736.47</u> | \$ <u>13,979,616.00</u> | \$ <u>126,120.47</u> |
| Proportional Registration Distributive Fund (0021) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 10,941,001.78 | 105,592,757.49 | 99,930,737.80 | 16,603,021.47 |
| Total Assets | \$ <u>10,941,001.78</u> | \$ <u>105,592,757.49</u> | \$ <u>99,930,737.80</u> | \$ <u>16,603,021.47</u> |
| Liabilities: | | | | |
| Accounts Payable | 0.00 | 26,711,063.84 | 26,711,063.84 | 0.00 |
| Funds Held for Others | 10,941,001.78 | 105,592,757.49 | 99,930,737.80 | 16,603,021.47 |
| Total Liabilities | \$ <u>10,941,001.78</u> | \$ <u>132,303,821.33</u> | \$ <u>126,641,801.64</u> | \$ <u>16,603,021.47</u> |
| Child Support - Employee Deduction (0807) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 6,587.96 | 79,199.42 | 80,417.62 | 5,369.76 |
| Total Assets | \$ <u>6,587.96</u> | \$ <u>79,199.42</u> | \$ <u>80,417.62</u> | \$ <u>5,369.76</u> |
| Liabilities: | | | | |
| Accounts Payable | 0.00 | 73,829.66 | 73,829.66 | 0.00 |
| Funds Held for Others | 6,587.96 | 79,199.42 | 80,417.62 | 5,369.76 |
| Total Liabilities | \$ <u>6,587.96</u> | \$ <u>153,029.08</u> | \$ <u>154,247.28</u> | \$ <u>5,369.76</u> |

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
For Fiscal Year Ended August 31, 2017

| | Beginning Balances September 1, 2016 | Additions | Deductions | Ending Balances August 31, 2017 |
|---|---|--------------------------|--------------------------|--|
| Suspense Fund (0900) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 995,915.80 | 103,788,168.54 | 104,116,918.12 | 667,166.22 |
| Total Assets | \$ 995,915.80 | \$ 103,788,168.54 | \$ 104,116,918.12 | \$ 667,166.22 |
| Liabilities: | | | | |
| Accounts Payable | 995,915.80 | 83,565,397.84 | 84,021,880.29 | 539,433.35 |
| Funds Held for Others | 0.00 | 103,788,168.54 | 103,660,435.67 | 127,732.87 |
| Total Liabilities | \$ 995,915.80 | \$ 187,353,566.38 | \$ 187,682,315.96 | \$ 667,166.22 |
| Direct Deposit Correction Account (0980) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 0.00 | 252.33 | 252.33 | 0.00 |
| Total Assets | \$ 0.00 | \$ 252.33 | \$ 252.33 | \$ 0.00 |
| Liabilities: | | | | |
| Funds Held for Others | 0.00 | 252.33 | 252.33 | 0.00 |
| Total Liabilities | \$ 0.00 | \$ 252.33 | \$ 252.33 | \$ 0.00 |
| Unappropriated GR (1000) | | | | |
| Assets: | | | | |
| Cash in State Treasury | 0.00 | 105,873,794.82 | 105,873,794.82 | 0.00 |
| Total Assets | \$ 0.00 | \$ 105,873,794.82 | \$ 105,873,794.82 | \$ 0.00 |
| Liabilities: | | | | |
| Accounts Payable | 0.00 | 142,425.38 | 142,425.38 | 0.00 |
| Funds Held for Others | 0.00 | 105,873,794.82 | 105,873,794.82 | 0.00 |
| Total Liabilities | \$ 0.00 | \$ 106,016,220.20 | \$ 106,016,220.20 | \$ 0.00 |
| Total - All Agency Funds | | | | |
| Assets: | | | | |
| Cash in State Treasury | 11,943,505.54 | 332,337,773.51 | 326,879,601.13 | 17,401,677.92 |
| Accounts Receivable | 133,455.47 | 0.00 | 133,455.47 | 0.00 |
| Total Assets | \$ 12,076,961.01 | \$ 332,337,773.51 | \$ 327,013,056.60 | \$ 17,401,677.92 |
| Liabilities: | | | | |
| Accounts Payable | 995,915.80 | 118,581,986.16 | 119,038,468.61 | 539,433.35 |
| Funds Held for Others | 11,081,045.21 | 332,204,318.04 | 326,423,118.68 | 16,862,244.57 |
| Total Liabilities | \$ 12,076,961.01 | \$ 450,786,304.20 | \$ 445,461,587.29 | \$ 17,401,677.92 |

(Exhibit VI)

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

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SCHEDULES

-UNAUDITED-

**SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2017**

| Federal Grantor/ Pass-Through Grantor/ Program Title | CFDA Number | Agency Number | Pass-Through From | |
|--|----------------|------------------|---|---------------------------------|
| | | | State Agency or University Amount | Non-State Entities Amount |
| U.S. Department of Transportation | | | | |
| <u>Direct Programs:</u> | | | | |
| Commercial Vehicle Information Systems and Networks | 20.237 | | | |
| <u>Pass-Through Programs:</u> | | | | |
| Texas Department of Public Safety | | | | |
| Commercial Vehicle Information Systems and Networks | 20.237 | 405 | \$ 133,107.09 | |
| Total | | | \$ 133,107.09 | 0.00 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 133,107.09 | 0.00 |

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types)

Exhibit II

| | |
|-------------------------------|----------------------|
| Federal Revenues | \$ 168,969.10 |
| Federal Pass-Through Revenues | \$ 133,107.09 |
| Total | \$ 302,076.19 |

Texas Department of Motor Vehicles (608)

| Direct Program Amount | Total Pass Through From & Direct Program | Pass-Through To | | Expenditure Amount | Total Pass Through To & Expenditures |
|-----------------------------|--|------------------|---|-----------------------|--|
| | | Agency Number | State Agency or University Amount | | |
| \$ 168,969.10 | \$ 302,076.19 | | | \$ 302,076.19 | \$ 302,076.19 |
| <u>\$ 168,969.10</u> | <u>\$ 302,076.19</u> | | <u>0.00</u> | <u>0.00</u> | <u>\$ 302,076.19</u> |
| <u>\$ 168,969.10</u> | <u>\$ 302,076.19</u> | | <u>0.00</u> | <u>0.00</u> | <u>\$ 302,076.19</u> |

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