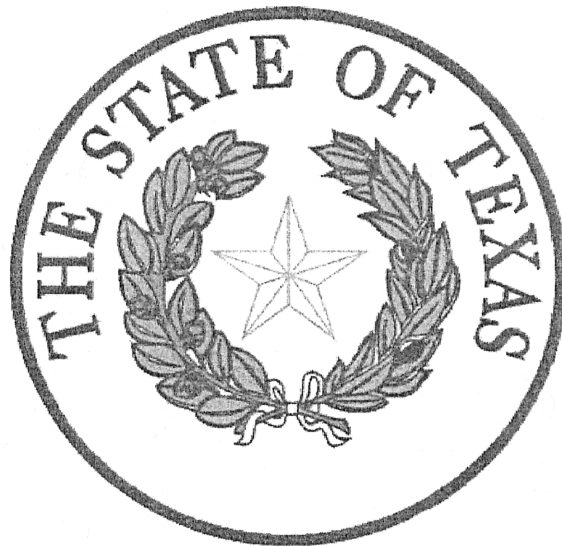


# **TEXAS DEPARTMENT OF BANKING**

## **ANNUAL FINANCIAL REPORT**

**For the Year Ended August 31, 2011**



**Charles G. Cooper**  
**Banking Commissioner**

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## TEXAS DEPARTMENT OF BANKING

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2601 North Lamar Blvd., Austin, Texas 78705  
512-475-1300 / 877-276-5554  
[www.banking.state.tx.us](http://www.banking.state.tx.us)

Charles G. Cooper  
Commissioner

September 30, 2011

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the annual financial report of the Texas Department of Banking for the year ended 8/31/11, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (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 Bill Rison at 475-1316 or Nancy Love at 475-1344.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles G. Cooper".

Charles G. Cooper

Banking Commissioner

**DEPARTMENT OF BANKING**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended August 31, 2011

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TEXAS DEPARTMENT OF BANKING (451)

Exhibit I  
 Combined Balance Sheet/Statement of Net Assets - Governmental Funds  
 August 31, 2011

	Governmental Fund Types (0828);U/F(0828)	Fiduciary Fund Types (0807);U/F(8070) (0942);U/F(0942) (9999);U/F(0990) (9999);U/F(0954)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents (Note 3)					
Cash in Bank	\$193,118.32	\$996,088.84			\$1,189,207.16
Cash in State Treasury	1,864,708.20	\$1,903.00			1,866,611.20
Short Term Investments	4,953,532.65	303,289.11			5,256,821.76
Accounts Receivable	105,169.82				105,169.82
Due from Other Agencies	31,982.53				31,982.53
Consumable Inventories	19,050.39				19,050.39
<b>Total Current Assets</b>	<b>\$7,167,561.91</b>	<b>\$1,301,280.95</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$8,468,842.86</b>
<b>Non-Current Assets:</b>					
Capital Assets (Note 2)					
Non-Depreciable					
Land			\$235,000.00		\$235,000.00
Depreciable					
Buildings			3,154,089.20		3,154,089.20
Less Accumulated Depreciation			(2,996,384.74)		(2,996,384.74)
Furniture and Equipment			343,258.00		343,258.00
Less Accumulated Depreciation			(294,889.39)		(294,889.39)
Computer Software			31,700.77		31,700.77
Less Accumulated Depreciation			(27,278.48)		(27,278.48)
<b>Total Non-Current Assets</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$445,495.36</b>	<b>\$0.00</b>	<b>\$445,495.36</b>
<b>Total Assets</b>	<b>\$7,167,561.91</b>	<b>\$1,301,280.95</b>	<b>\$445,495.36</b>	<b>\$0.00</b>	<b>\$8,914,338.22</b>
<b>Liabilities and Fund Balances</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$124,060.91	47,777.86			\$171,838.77
Payroll Payables	1,542,883.01				1,542,883.01
Employees' Compensable Leave (Note 5)				\$1,068,710.91	1,068,710.91
Due to Other Agencies	11,271.69				11,271.69
Funds Held For Others		\$1,253,503.10			1,253,503.10
<b>Total Current Liabilities</b>	<b>\$1,678,215.61</b>	<b>\$1,301,280.96</b>	<b>\$0.00</b>	<b>\$1,068,710.91</b>	<b>\$4,048,207.48</b>
<b>Non-Current Liabilities:</b>					
Employees' Compensable Leave (Note 5)				\$930,667.59	\$930,667.59
<b>Total Non Current Liabilities</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$930,667.59</b>	<b>\$930,667.59</b>
<b>Total Liabilities</b>	<b>\$1,678,215.61</b>	<b>\$1,301,280.96</b>	<b>\$0.00</b>	<b>\$1,999,378.50</b>	<b>\$4,978,875.07</b>
<b>Fund Balances:</b>					
Committed	\$5,489,346.30				\$5,489,346.30
<b>Total Fund Balance</b>	<b>\$5,489,346.30</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$5,489,346.30</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$7,167,561.91</b>	<b>\$1,301,280.96</b>	<b>\$0.00</b>	<b>\$1,999,378.50</b>	<b>\$10,468,221.37</b>
<b>Government-wide Statement of Net Assets</b>					
<b>Net Assets:</b>					
Invested in Capital Assets			\$445,495.36		\$445,495.36
Unrestricted				(\$1,999,378.50)	(1,999,378.50)
<b>Total Net Assets</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$445,495.36</b>	<b>(\$1,999,378.50)</b>	<b>\$3,935,463.16</b>

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

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TEXAS DEPARTMENT OF BANKING (451)

Exhibit II

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds  
For the Fiscal Year Ended August 31, 2011

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
<b>REVENUES:</b>				
Licenses, Fees and Permits	\$22,192,919.33			\$22,192,919.33
Total Revenues	<u>\$22,192,919.33</u>			<u>\$22,192,919.33</u>
<b>EXPENDITURES:</b>				
Salaries and Wages	\$14,290,351.21		(\$112,740.66)	\$14,177,610.55
Payroll Related Costs	3,320,913.16			3,320,913.16
Professional Fees and Services	115,247.30			115,247.30
Travel	1,792,555.80			1,792,555.80
Materials and Supplies	325,699.62			325,699.62
Communications and Utilities	213,086.87			213,086.87
Repairs and Maintenance	63,241.92			63,241.92
Rentals and Leases	250,740.56			250,740.56
Printing and Reproduction	10,497.16			10,497.16
Other Expenditures	338,661.35			338,661.35
Capital Outlay	10,273.81	(10,273.81)		0.00
Depreciation Expense		\$23,725.90		23,725.90
Total Expenditures	<u>\$20,731,268.76</u>	<u>\$13,452.09</u>	<u>(\$112,740.66)</u>	<u>\$20,631,980.19</u>
Excess (deficiency) of revenues over expenditures	<u>\$1,461,650.57</u>	<u>(\$13,452.09)</u>	<u>\$112,740.66</u>	<u>\$1,560,939.14</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	\$8,905,015.00			8,905,015.00
Transfer Out	(\$8,905,015.00)			(8,905,015.00)
Total Other Financing Sources (Uses)	<u>\$0.00</u>			<u>\$0.00</u>
Net change in fund balances/net assets	<u>\$1,461,650.57</u>	<u>(\$13,452.09)</u>	<u>\$112,740.66</u>	<u>\$1,560,939.14</u>
<b>Fund Financial Statement-Fund Balances</b>				
Fund Balances--September 1, 2010	\$4,027,805.47			\$4,027,805.47
Appropriations Lapsed	(109.74)			(109.74)
<b>FUND BALANCES - August 31, 2011</b>	<u>\$5,489,346.30</u>			<u>\$5,588,634.87</u>
<b>Government-wide Statement of Net Assets</b>				
Change in Net Assets	<u>\$5,489,346.30</u>	<u>(\$13,452.09)</u>	<u>\$112,740.66</u>	<u>\$5,588,634.87</u>
Net Assets, September 1, 2010		\$458,947.45	\$1,886,637.84	\$2,345,585.29
Net Assets as of August 31, 2011	<u>\$5,489,346.30</u>	<u>\$445,495.36</u>	<u>\$1,999,378.50</u>	<u>\$7,934,220.16</u>

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



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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – NOT APPLICABLE**

**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2011 is as presented below:

Asset Type	Balance 9/1/2010	Adjust/Restate	Additions	Deletions	Balance 8/31/2011
<b>Governmental Activities:</b>					
Non-depreciable Assets:					
Land	\$235,000.00				\$235,000.00
Total Non-Depr Assets	\$235,000.00				\$235,000.00
Depreciable Assets:					
Building	\$3,154,089.20				\$3,154,089.20
Furniture & Equipment	\$332,984.19	\$0.00	\$10,273.81	\$0.00	\$343,258.00
Total Depr Assets	\$3,487,073.39	\$0.00	\$10,273.81	\$0.00	\$3,497,347.20
Less Accumulated Depr:					
Building	(2,996,384.74)				(\$2,996,384.74)
Furniture & Equipment	(\$275,987.61)	\$0.00	(\$18,901.78)	\$0.00	(\$294,889.39)
Total Accum Depr.	(\$3,272,372.35)	\$0.00	(\$18,901.78)	\$0.00	(\$3,291,274.13)
Depreciable Assets, net	\$214,701.04	\$0.00	(\$8,627.97)	\$0.00	\$206,073.07
Amortizable Assets - Intangible:					
Computer Software	\$31,700.77	\$0.00	\$0.00	\$0.00	\$31,700.77
Total Amortizable Assets	\$31,700.77	\$0.00	\$0.00	\$0.00	\$31,700.77
Less Accumulated Depr:					
Computer Software	(\$22,454.36)	\$0.00	(\$4,824.12)	\$0.00	(\$27,278.48)
Total Accum Amortization	(\$22,454.36)	\$0.00	(\$4,824.12)	\$0.00	(\$27,278.48)
Amortizable Assets, net	\$9,246.41	\$0.00	(\$4,824.12)	\$0.00	\$4,422.29
<b>Governmental Activities</b>					
<b>Capital Assets, net</b>	<b>\$458,947.45</b>	<b>\$0.00</b>	<b>(\$13,452.09)</b>	<b>\$0.00</b>	<b>\$445,495.36</b>

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**NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS**

The Department is authorized by statute to make investments following the “prudent person rule.” There were no violations of legal provisions during the period.

**Deposits of Cash in Bank**

Governmental Type Activities: As of August 31, 2011, the carrying amount of deposits was \$193,118.32. This amount consists of cash in local banks and the Texas Treasury Safekeeping Trust Company. The bank balance is not exposed to custodial credit risks.

Fiduciary Fund Types: As of August 31, 2011, a portion of the Prepaid Funeral Guaranty Funds consisted of \$246,088.84 in money market accounts and \$750,000 in certificates of deposits at state banks.

**Short Term Investments**

Governmental Fund Type: As of August 31, 2011, the Department had \$4,953,532.65 in overnight repurchase agreements with the Texas Treasury Safekeeping Trust.

Fiduciary Fund Type: As of August 31, 2011, a portion of the Prepaid Funeral Guaranty Fund consisted of \$303,289.11 in overnight repurchase agreements with the Texas Treasury Safekeeping Trust.

All overnight repurchase agreements with the Texas Treasury Safekeeping Trust are rated AA+ by Standard & Poor’s.

**NOTE 4: SHORT TERM DEBT – NOT APPLICABLE**

**NOTE 5: LONG-TERM LIABILITIES**

**Changes in General Long-Term Liabilities**

During the fiscal year ended August 31, 2011, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/2010	Additions	Deductions	Balance 8/31/2011	Amounts Due Within One Year	Amounts Due Thereafter
Compensable Leave	\$1,886,637.84	\$1,506,950.15	\$1,394,209.49	\$1,999,378.50	\$1,068,710.91	\$930,667.59

**Employees’ Compensable Leave**

If a state employee has had continuous employment with the state for at least six months, the 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. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these funds types, the liability for unpaid benefits is recorded in the statement of net assets. Both an expense and a liability for business-type activities 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. This obligation is usually paid from the same funding source(s) from which the employee’s salary or wage compensation was paid.

**NOTE 6: BONDED INDEBTEDNESS - NOT APPLICABLE**

**NOTE 7: DERIVATIVE INSTRUMENTS – NOT APPLICABLE**

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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 leases:

<u>Fund Type</u>	<u>Amount</u>
Special Fund	\$192,511.17

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

<b>For Fiscal Year Ending August 31,</b>	<b>Amount</b>
2012	\$171,416.17
2013	113,475.64
2014	110,159.52
2015	72,454.61
2016	0.00
2017-2021	0.00
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$467,505.94</b>

**NOTE 9: PENSION PLANS – 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 – NOT APPLICABLE**

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

SB 652 of the 82nd Legislative Session continued the Department until September 1, 2015. At that time, the Department will undergo Sunset review for a determination of future existence. If abolished, the Department may continue until September 1, 2016, to close out its operations.

**NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS – NOT APPLICABLE**

**NOTE 15: CONTINGENCIES AND COMMITMENTS**

The Department is not aware of any contingent liabilities.

**NOTE 16: SUBSEQUENT EVENTS**

The Department is not aware of any other events occurring after August 31, 2011, that would have a material effect on these Financial Statements.

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**NOTE 17: RISK MANAGEMENT**

The Department is exposed to a variety of civil claims resulting from the performance of its duties. It is the Department'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 Department, along with several other State agencies, has purchased property insurance through the State Office of Risk Management.

The Department assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, the Department is not involved in any risk pools with other governmental entities.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of the 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. The Department had no liabilities of this nature at fiscal year end.

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS - NOT APPLICABLE**

**NOTE 19: THE FINANCIAL REPORTING ENTITY - NOT APPLICABLE**

**NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - NOT APPLICABLE**

**NOTE 21: NOT APPLICABLE**

**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**