

TEXAS DEPARTMENT OF BANKING

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2016



Charles G. Cooper
Banking Commissioner



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

September 30, 2016

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Department of Banking for the year ended Aug. 31, 2016, 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 Sami Chadli at 512-475-1316 or Paula Urban at 512-475-1344.

Sincerely,

Charles G. Cooper
Banking Commissioner

DEPARTMENT OF BANKING
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended August 31, 2016

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TEXAS DEPARTMENT OF BANKING (451)

Exhibit I

Combined Balance Sheet/Statement of Net Position - Governmental Funds

August 31, 2016

	Governmental Fund Types	Fiduciary Fund Types	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Position
	(1008);U/F(1008) (1008);U/F(1999)	(0807);U/F(8070) (9993);U/F(0955)			
Assets					
Current Assets:					
Cash and Cash Equivalents					
Cash on Hand	\$ 100.00	\$ -			\$ 100.00
Cash in Bank (Note 3)	57,202.47	1,220,052.14			1,277,254.61
Cash in State Treasury	2,490,569.73	2,797.76			2,493,367.49
Short Term Investments (Note 3)	12,319,907.29	508,887.16			12,828,794.45
Accounts Receivable	59,960.17				59,960.17
Due from Other Agencies	67,044.66				67,044.66
Consumable Inventories	26,875.82				26,875.82
Total Current Assets	\$ 15,021,660.14	\$ 1,731,737.06	\$ -	\$ -	\$ 16,753,397.20
Non-Current Assets:					
Capital Assets (Note 2)					
Non-Depreciable or Non-Amortizable					
Land and Land Improvements			\$ 235,000.00		\$ 235,000.00
Depreciable or Amortizable					
Buildings and Building Improvements			3,154,089.20		3,154,089.20
Less Accumulated Depreciation			(2,996,384.74)		(2,996,384.74)
Furniture and Equipment			290,491.68		290,491.68
Less Accumulated Depreciation			(174,923.92)		(174,923.92)
Computer Software - Intangible			7,579.99		7,579.99
Less Accumulated Amortization			(7,579.99)		(7,579.99)
Total Non-Current Assets	\$ -	\$ -	\$ 508,272.22	\$ -	\$ 508,272.22
Total Assets	\$ 15,021,660.14	\$ 1,731,737.06	\$ 508,272.22	\$ -	\$ 17,261,669.42
Liabilities and Fund Balances					
Current Liabilities:					
Accounts Payable	\$ 373,370.01				\$ 373,370.01
Payroll Payables	2,191,652.76				2,191,652.76
Due to Other Agencies	2,219.15				2,219.15
Employees' Compensable Leave (Note 5)				1,159,913.24	1,159,913.24
Funds Held For Others		1,731,737.06			1,731,737.06
Total Current Liabilities	\$ 2,567,241.92	\$ 1,731,737.06	\$ -	\$ 1,159,913.24	\$ 5,458,892.22
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)				\$ 1,049,462.12	\$ 1,049,462.12
Total Non Current Liabilities	\$ -	\$ -	\$ -	\$ 1,049,462.12	\$ 1,049,462.12
Total Liabilities	\$ 2,567,241.92	\$ 1,731,737.06	\$ -	\$ 2,209,375.36	\$ 6,508,354.34
Fund Balances (Deficits):					
Nonspendable	\$ 26,875.82				\$ 26,875.82
Committed	12,427,542.40				12,427,542.40
Total Fund Balances	\$ 12,454,418.22	\$ -	\$ -	\$ -	\$ 12,454,418.22
Total Liabilities and Fund Balances	\$ 15,021,660.14				
Government-wide Statement of Net Position					
Net Position:					
Invested in Capital Assets, Net of Related Debt			\$ 508,272.22		\$ 508,272.22
Unrestricted				(2,209,375.36)	(2,209,375.36)
Total Net Position		\$ -	\$ 508,272.22	\$ (2,209,375.36)	\$ 10,753,315.08

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, 2016

	Governmental Funds Total <u>(1008);U/F(1008)</u> <u>(1008);U/F(1999)</u>	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES:				
Licenses, Fees and Permits	\$ 26,798,137.84			\$ 26,798,137.84
Interest and Other Investment Income	23,224.89			23,224.89
Total Revenues	<u>\$ 26,821,362.73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,821,362.73</u>
EXPENDITURES:				
Salaries and Wages	\$ 16,892,639.93		\$ (24,690.36)	\$ 16,867,949.57
Payroll Related Costs	4,931,788.77			4,931,788.77
Professional Fees and Services	148,250.98			148,250.98
Travel	2,182,057.47			2,182,057.47
Materials and Supplies	514,169.70			514,169.70
Communications and Utilities	274,192.88			274,192.88
Repairs and Maintenance	101,115.21			101,115.21
Rentals and Leases	379,609.23			379,609.23
Printing and Reproduction	2,920.48			2,920.48
Other Expenditures	598,369.49			598,369.49
Capital Outlay	15,275.16	(15,275.16)		-
Depreciation and Amortization Expense		28,514.86		28,514.86
Total Expenditures/Expenses	<u>\$ 26,040,389.30</u>	<u>\$ 13,239.70</u>	<u>\$ (24,690.36)</u>	<u>\$ 26,028,938.64</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ 780,973.43</u>	<u>\$ (13,239.70)</u>	<u>\$ 24,690.36</u>	<u>\$ 792,424.09</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 26,535,123.03			\$ 26,535,123.03
Transfers Out	(26,535,123.03)			(26,535,123.03)
Inc (Dec) in Net Position Due to Interagency Transfer		14,559.57		14,559.57
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 14,559.57</u>	<u>\$ -</u>	<u>\$ 14,559.57</u>
Net Change in Fund Balances/Net Position	<u>\$ 780,973.43</u>			<u>\$ 806,983.66</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2015	\$ 11,673,444.79			\$ 11,673,444.79
Appropriations Lapsed				-
FUND BALANCES - August 31, 2016	<u>\$ 12,454,418.22</u>			<u>\$ 12,480,428.45</u>
Government-wide Statement of Net Position				
Net Position/Net Change in Net Position	<u>\$ 12,454,418.22</u>	<u>\$ 1,319.87</u>	<u>\$ 24,690.36</u>	<u>\$ 12,480,428.45</u>
Net Position, September 1, 2015		\$ 506,952.35	\$ (2,234,065.72)	\$ (1,727,113.37)
Restatements				-
Net Position, September 1, 2015, as Restated		<u>506,952.35</u>	<u>(2,234,065.72)</u>	<u>(1,727,113.37)</u>
Net Position, August 31, 2016	<u>\$ 12,454,418.22</u>	<u>\$ 508,272.22</u>	<u>\$ (2,209,375.36)</u>	<u>\$ 10,753,315.08</u>

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

Texas Department of Banking (451) - UNAUDITED

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, 2016 is as presented below:

Asset Type	Balance 9/1/2015	Inc-Int'agy Trans	Additions	Deletions	Balance 8/31/2016
GOVERNMENTAL ACTIVITIES					
Non-depreciable or Non-amortizable Assets					
Land and Land Improvements	\$ 235,000.00				\$ 235,000.00
Total Non-depreciable or Non-amortizable Assets	\$ 235,000.00	\$ -	\$ -	\$ -	\$ 235,000.00
Depreciable Assets					
Buildings and Building Improvements	\$ 3,154,089.20				\$ 3,154,089.20
Furniture and Equipment	260,481.54	14,734.98	15,275.16		290,491.68
Total Depreciable Assets at Historical Cost	\$ 3,414,570.74	\$ 14,734.98	\$ 15,275.16	\$ -	\$ 3,444,580.88
Less Accumulated Depreciation for:					
Buildings and Building Improvements	\$ (2,996,384.74)				\$ (2,996,384.74)
Furniture and Equipment	(146,233.65)	(175.41)	(28,514.86)		(174,923.92)
Total Accumulated Depreciation	\$ (3,142,618.39)	\$ (175.41)	\$ (28,514.86)	\$ -	\$ (3,171,308.66)
Depreciable Assets, Net	\$ 271,952.35	\$ 14,559.57	\$ (13,239.70)	\$ -	\$ 273,272.22
Intangible Capital Assets - Amortizable					
Computer Software – Intangible	\$ 7,579.99				\$ 7,579.99
Total Intangible Assets at Historical Cost	\$ 7,579.99	\$ -	\$ -	\$ -	\$ 7,579.99
Less Accumulated Amortization for:					
Computer Software – Intangible	\$ (7,579.99)				\$ (7,579.99)
Total Accumulated Amortization	\$ (7,579.99)	\$ -	\$ -	\$ -	\$ (7,579.99)
Amortizable Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -
Governmental Activities Capital Assets, Net	\$ 506,952.35	\$ 14,559.57	\$ (13,239.70)	\$ -	\$ 508,272.22

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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, 2016, the carrying amount of deposits was \$57,202.47. Of this amount, \$20,000 consists of cash in a local bank and \$37,202.47 in the Texas Treasury Safekeeping Trust Company. The bank balance is not exposed to custodial credit risks. As of August 31, 2016, the bank balance was \$54,016.59.

Fiduciary Fund Types: As of August 31, 2016, the carrying amount of deposits was \$1,220,052.14. Of this amount, the Prepaid Funeral Guaranty Funds consisted of \$246,215.71 in money market accounts and \$973,836.43 in certificates of deposits. As of August 31, 2016, the bank balance was \$1,220,052.14.

Short Term Investments

Governmental Fund Type: As of August 31, 2016, the Department had \$12,319,907.29 in overnight repurchase agreements with the Texas Treasury Safekeeping Trust. \$6,000,000 of this amount is assigned for the purchase of a new building.

Fiduciary Fund Type: As of August 31, 2016, the Prepaid Funeral Guaranty Fund consisted of \$508,887.16 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, 2016, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/2015	Additions	Deductions	Balance 8/31/2016	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$2,234,065.72	\$1,733,382.07	\$1,758,072.43	\$2,209,375.36	\$1,159,913.24	\$1,049,462.12

Employees' Compensable Leave

If a state employee 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 fund types, the liability for unpaid benefits is recorded in the statement of net position. 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 employees 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

Texas Department of Banking (451) - UNAUDITED

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	\$298,965.66

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

For Fiscal Year Ended August 31,	Amount
2017	\$ 360,041.55
2018	316,842.30
2019	312,898.80
2020	263,616.77
2021	213,224.92
2022-2026	347,014.51
Total Minimum Future Lease Rental Payments	\$ 1,813,638.85

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

HB 1675 of the 83rd Legislative Session continued the Department until September 1, 2019. At that time, the Department will undergo Sunset review for a determination of future existence. If abolished, the Department may continue until September 1, 2020, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION - 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, 2016, that would have a material effect on the 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, auto insurance and public officials and employment practices liability insurance coverage 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 yearend.

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 TO THE AFR

NOTE 22: DONOR RESTRICTED ENDOWMENTS - NOT APPLICABLE

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