Annual Financial Report

Fiscal Year Ended

August 31, 2011

Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Financial Services Division

Annual Financial Report
Fiscal Year Ended August 31, 2011

Prepared by
Financial Services Division

November 20, 2011

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Clifford Butler, Board Member
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Raymond Palacios, Jr., Board Member
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Linda M. Flores, CPA
Interim Executive Director

Published and distributed
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Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, Texas

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November 20, 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:

Attached is the Texas Department of Motor Vehicle's annual financial report for the year ended 08/31/2011, 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 Ms. Phyllis J. Dawson, Financial Reporting Team Lead, at 374-5079 or Ms. Linda M. Flores, CPA, Chief Financial Officer, at 465-3087.

Sincerely,

Linda M. Flores

Linda M. Flores, CPA
Interim Executive Director

COMBINED FINANCIAL STATEMENTS

-UNAUDITED-

EXHIBIT I
COMBINED BALANCE SHEET
Statement of Net Assets - Governmental Funds
August 31, 2011

	Governmental Fund Types					
	General (EXH A-1)	Special Revenue State Highway Fund (0006)	Total Governmental	Capital Assets Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
Assets						
Current Assets:						
Cash on Hand	$	$ 10,045.00	$ 10,045.00	$	$	$ 10,045.00
Cash in Bank		30,000.00	30,000.00			30,000.00
Cash in State Treasury	1,058,763.63		1,058,763.63			1,058,763.63
Legislative Appropriations	4,853,618.37		4,853,618.37			4,853,618.37
Receivables:						
Federal		43,455.93	43,455.93			43,455.93
Accounts Receivable		100,184,864.13	100,184,864.13			100,184,864.13
Due From Other Funds (Note 12)		396,545.13	396,545.13			396,545.13
Due From Other Agencies (Note 12)		55,011.87	55,011.87			55,011.87
Consumable Inventories		1,575,366.94	1,575,366.94			1,575,366.94
Total Current Assets	5,912,382.00	102,295,289.00	108,207,671.00			108,207,671.00
Non - Current Assets:						
Capital Assets:						
Non - Depreciable						
Land and Land Improvements						
Depreciable						
Buildings and Building Improvements						
Less - Accumulated Depreciation						
Furniture and Equipment				835,146.44		835,146.44
Less - Accumulated Depreciation				(683,209.17)		(683,209.17)
Vehicles, Boats, & Aircraft				763,273.08		763,273.08
Less - Accumulated Depreciation				(580,679.77)		(580,679.77)
Intangibles Computer Software				225,588.48		225,588.48
Less - Accumulated Amortization				(218,065.59)		(218,065.59)
Total Non Current Assets				342,053.47		342,053.47
Total Assets	$ 5,912,382.00	$ 102,295,289.00	$ 108,207,671.00	$ 342,053.47	$	$ 108,549,724.47

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

	Governmental Fund Types					
	General (EXH A-1)	Special Revenue State Highway Fund (0006)	Total Governmental	Capital Assets Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
Liabilities						
Current Liabilities:						
Payables:						
Accounts Payable	$ 731,363.49	$ 4,407,744.94	$ 5,139,108.43	$	$	$ 5,139,108.43
Payroll Payable	70,719.63	2,885,734.63	2,956,454.26			2,956,454.26
Due to Other Funds (Note 12)	396,545.13		396,545.13			396,545.13
Due to Other Agencies (Note 12)	671,954.78		671,954.78			671,954.78
Employees Compensable Leave (Note 5)					1,656,932.71	1,656,932.71
Total Current Liabilities	1,870,583.03	7,293,479.57	9,164,062.60		1,656,932.71	10,820,995.31
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)					906,048.06	906,048.06
Total Non-Current Liabilities					906,048.06	906,048.06
Total Liabilities	1,870,583.03	7,293,479.57	9,164,062.60		2,562,980.77	11,727,043.37
Fund Financial Statement						
Fund Balances:						
Non Spendable (Inventory)		1,575,366.94	1,575,366.94			1,575,366.94
Restricted		93,426,442.49	93,426,442.49			93,426,442.49
Unassigned	4,041,798.97		4,041,798.97			4,041,798.97
Total Fund Balances	4,041,798.97	95,001,809.43	99,043,608.40			99,043,608.40
Total Liabilities and Fund Balance	$ 5,912,382.00	$ 102,295,289.00	$ 108,207,671.00			

Government-Wide Statement of Net Assets

Net Assets:			
Invested in Capital Assets, Net of Related Debt	$ 342,053.47	$	$ 342,053.47
Unrestricted		(2,562,980.77)	(2,562,980.77)
Total Net Assets	$ 342,053.47	$ (2,562,980.77)	$ 96,822,681.10

-UNAUDITED-

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Statement of Activities - Governmental Funds
For the Year Ended August 31, 2011

	Governmental Fund Types					
	General (EXH A-2)	Special Revenue State Highway Fund (0006)	Total Governmental	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Revenues						
Legislative Appropriations:						
Original Appropriations	$ 15,307,283.00	$	$ 15,307,283.00	$	$	$ 15,307,283.00
Additional Appropriations	175,379.75		175,379.75			175,379.75
Federal Revenues		47,836.57	47,836.57			47,836.57
Federal Pass-Through Revenues		194,026.73	194,026.73			194,026.73
State Grant Pass- Through						
Licenses, Fees and Permits		1,172,977,882.79	1,172,977,882.79			1,172,977,882.79
Interest & Investment Income						
Settlement of Claims		635,976.00	635,976.00			635,976.00
Sales of Goods and Services		766,018.69	766,018.69			766,018.69
Other		(653.55)	(653.55)			(653.55)
Total Revenues	15,482,662.75	1,174,621,087.23	1,190,103,749.98			1,190,103,749.98
Expenditures						
Salaries and Wages	637,395.32	25,935,376.77	26,572,772.09		372,185.26	26,944,957.35
Payroll Related Costs	167,164.87	6,784,283.07	6,951,447.94			6,951,447.94
Professional Fees and Services	276,507.91	4,927,031.78	5,203,539.69			5,203,539.69
Travel	22,878.26	224,645.24	247,523.50			247,523.50
Materials and Supplies	25,058.40	10,747,919.41	10,772,977.81			10,772,977.81
Communications and Utilities	5,218.57	3,422,136.35	3,427,354.92			3,427,354.92
Repairs and Maintenance	4,312.25	799,268.62	803,580.87			803,580.87
Rentals and Leases	13,433.32	697,469.15	710,902.47			710,902.47
Printing and Reproduction		5,489,920.93	5,489,920.93			5,489,920.93
Claims and Judgements						
Federal Pass-Through Expenditures						
State Grant Pass-Through Expenditures	171,432.24		171,432.24			171,432.24
Intergovernmental Payments	13,340,638.54		13,340,638.54			13,340,638.54
Public Assistance Programs						
Other Operating Expenditures	788,852.50	34,161,375.92	34,950,228.42			34,950,228.42
Capital Outlay	13,365.00	59,394.35	72,759.35	(72,759.35)		
Depreciation Expense				75,670.61		75,670.61
Total Expenditures	15,466,257.18	93,248,821.59	108,715,078.77	2,911.26	372,185.26	109,090,175.29
Excess (Deficit) of Revenues over Expenditures	16,405.57	1,081,372,265.64	1,081,388,671.21	(2,911.26)	(372,185.26)	1,081,013,574.69
Other Financing Sources (Uses)						
Transfers In (Note 12)						
Transfers Out (Note 12)		(1,084,152,565.11)	(1,084,152,565.11)			(1,084,152,565.11)
Sale of Capital Assets						
Loss on Capital Assets				(900.00)		(900.00)
Insurance Recoveries						
Legislative Transfers In (Note 12)						
Legislative Transfers Out (Note 12)						
Increase in Net Assets Due to Interagency Transfer						
Total Other Financing Sources (Uses)	0.00	(1,084,152,565.11)	(1,084,152,565.11)	(900.00)		(1,084,153,465.11)
Net Change in Fund Balances/Net Assets	16,405.57	(2,780,299.47)	(2,763,893.90)	(3,811.26)	(372,185.26)	(3,139,890.42)
Fund Financial Statement - Fund Balance						
Fund Balance - Beginning	4,025,393.40	97,782,108.90	101,807,502.30			101,807,502.30
Restatements						
Fund Balance as Restated	4,025,393.40	97,782,108.90				101,807,502.30
Appropriations Lapsed						
Fund Balances - August 31, 2011	$ 4,041,798.97	$ 95,001,809.43	$ 99,043,608.40			$ 99,043,608.40
Government-wide Statement of Net Assets						
Net Change in Net Assets			$ 99,043,608.40	(3,811.26)	$ (372,185.26)	$ 98,667,611.88
Net Assets-Beginning				345,864.73	(2,190,795.51)	(1,844,930.78)
Restatements						
Net Assets, September 1, 2010, as Restated and Adjusted				345,864.73	(2,190,795.51)	(1,844,930.78)
Net Assets-August 31, 2011			$ 99,043,608.40	$ 342,053.47	$ (2,562,980.77)	$ 96,822,681.10

-UNAUDITED-

EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
August 31, 2011

		Agency Funds (Exhibit J-1)
Assets		
Current Assets:		
Cash in State Treasury	$	4,353,618.32
Total Current Assets		4,353,618.32
Total Assets	$	4,353,618.32
Liabilities		
Current Liabilities:		
Accounts Payable	$	(1,202,923.24)
Funds Held for Others		5,556,541.56
Total Current Liabilities		4,353,618.32
Total Liabilities	$	4,353,618.32
Net Assets		
Net Assets:		0.00
Total Net Assets	$	0.00

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) is an agency of the State of Texas and its financial records comply with state statutes and regulations. The accompanying financial statements of the TxDMV have been prepared to conform to the "Reporting Requirements for Annual Financial Reports of State Agencies" as prescribed by the Comptroller of Public Accounts.

The TxDMV, was created by the 81st Legislature effective September 1, 2009, with component parts (four divisions from the Texas Department of Transportation, (TxDOT)) transferring to TxDMV on November 1, 2009. House Bill 3097 amended the Transportation Code to create the TxDMV as an agency of the state. As a result, the following divisions of TxDOT were transferred to TxDMV: Motor Vehicle Division, Vehicle Titles and Registration Division, Automobile Burglary and Theft Prevention Authority (ABTPA), and the portion of the Motor Carrier Division responsible for motor carrier registration and enforcement.

House Bill 3097, also required the transfer of personnel, furniture, computers, other property and equipment, files and related materials used by the transferring divisions as well as the unobligated and unexpended balance of any appropriations made to TxDOT in connection with or relating to the transferring divisions and the ABTPA from the state fiscal biennium ending August 31, 2009. A contingency rider in the General Appropriations Act, Article IX, Section 17.30 (a) and (b) transferred all funds and FTE positions appropriated to TxDOT for fiscal years 2010 and 2011 that were directly associated with the programs and responsibilities required to be transferred under the provisions of H.B. 3097 plus any additional FTE positions and associated funding for personnel that primarily support the programs to be transferred to the TxDMV. These transfers were effective November 1, 2009.

The enabling legislation required the board to organize the department into divisions to accomplish the department's functions and duties assigned to it. As a result, the agency has been organized into the following divisions: Automobile Burglary and Theft Prevention Authority, Administrative Services, Consumer Relations, Enforcement, Financial Services, Motor Carrier, Motor Vehicle, and Vehicle Titles and Registration. These divisions allow the agency to align program areas along functional lines to maximize operational efficiency and improve customer service.

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.

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.

Texas Collegiate License Plate Account (5015) – This fund is used to receive and account for fees charged from the sale of special collegiate license plates.

Specialty License Plate Account (5140) – This fund is used to receive and account for fees charged from the sale of special license plates.

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 and vehicle financial responsibility verification program.

The agency collected $19.9 million in revenue from the $1 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.

Also included in Fund 0006 is $19.5 million in revenue from the $1 fee authorized by Senate Bill 1670, 79th Legislature, Regular Session, to establish and maintain a motor vehicle financial responsibility verification program. The program was developed in consultation with the Texas Department of Transportation, the Department of Public Safety, and the Department of Information Resources.

The verification program is known as TexasSure. This database matches information on every registered vehicle in Texas to insurance policy data submitted by Texas insurance companies. With such information, law enforcement officers and tax assessor-collectors can instantly access the database and verify whether a vehicle has the required auto insurance.

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.

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

Employees' Savings Bond Account (0901) – This fund receives and disburses employee payroll deductions for U.S. Savings Bonds. This program closed out as of August 31, 2011.

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.

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 or instead of accounts receivable or accounts payable.

NOTE 2: CAPITAL ASSETS

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

	PRIMARY GOVERNMENT							
Governmental Activities	**Balance 09/01/10**	**Adjust/ Restate**	**Reclass. Completed CIP**	**Reclass. Increase Inter-Agency Transaction**	**Reclass. Decrease Inter-Agency Transaction**	**Additions**	**Deletions**	**Balance 08/31/11**
Non-Depreciable Assets	$			$		$	$	$
Total Non-Depreciable Assets								
Depreciable Assets								
Buildings and Building Improvements								
Furniture and Equipment	774,989.94					72,759.35	(12,602.85)	835,146.44
Vehicles, Boats, & Aircraft	763,273.08							763,273.08
Other Assets								
Total Depreciable Assets	1,583,263.02					72,759.35	(12,602.85)	1,598,419.52
Less Accumulated Depreciation for:								
Buildings and Building Improvements								
Furniture and Equipment	(651,030.97)					(43,881.05)	11,702.85	(683,209.17)
Vehicles, Boats, & Aircraft	(550,957.33)					(29,722.44)		(580,679.77)
Other Capital Assets								
Total Accumulated Depreciation	(1,201,988.30)					(73,603.49)	11,702.85	(1,263,888.94)
Depreciable Assets, Net	336,274.72					(844.14)	(900.00)	334,530.58
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	225,588.48							225,588.48
Other Capital Intangible								
Total Amortizable Assets – Intangible	225,588.48							225,588.48
Less Accumulated Amortization for:								
Land Use Rights								
Computer Software	(215,998.47)					(2,067.12)		(218,065.59)
Other Capital Intangible								
Total Accumulated Amortization	(215,998.47)					(2,067.12)		(218,065.59)
Amortizable Assets –Intangible, Net	9,590.01					(2,067.12)		7,522.89
Governmental Activities Capital Assets, Net	345,864.73					$(2,911.26)	$ (900.00)	$ 342,053.47

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

As of August 31, 2011, the carrying amount of deposits was $30,000.00 as presented below:

	Amount
Cash in Bank – Carrying Amount	$ 30,000.00
Total Cash in Bank per AFR (EXH I)	$ 30,000.00

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

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

Governmental Activities	Balance 9/0/10	Additions	Reductions	Balance 8/31/10	Amounts Due Within One Year
Compensable Leave	$ 2,190,795.51	$3,024,117.08	$2,651,931.82	$2,562,980.77	$ 1,656,923.71

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: CAPITAL LEASES

Not Applicable

NOTE 8: OPERATING LEASES

Operating Leases

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

Fund Type	Amount
Fund 0006	$ 464,767.27

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,	
2012	$ 401,779.22
2013	243,107.76
2014	243,107.76
2015	189,084.26
2016	77,625.00
2017-21	239,343.75
Total Minimum Future Lease Rental Payments	**$ 1,394,047.75**

NOTE 9: RETIREMENT 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

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, 2011 are as follows:

	Due from Other Agencies	Due to Other Agencies	Source
General Revenue (01)			
Appd Fund 0001, D23 fund 0001			
Agy 405, D23 fund 0006		$ 9,736.28	State Pass Through
Appd Fund 0900, D23 fund 0090			
Agy 304, D23 fund 0001		104,256.80	Revenue Transfer
Appd Fund 5015, D23 fund 5015			
Agy 506, D23 fund 5015		4,763.52	Shared Fund
Agy 711, D23 fund 5015		188,966.10	Shared Fund
Agy 714, D23 fund 5015		276.49	Shared Fund
Agy 715, D23 fund 5015		58,811.73	Shared Fund
Agy 717, D23 fund 5015		2,447.41	Shared Fund
Agy 721, D23 fund 5015		417.98	Shared Fund
Agy 724, D23 fund 5015		4,898.51	Shared Fund
Agy 730, D23 fund 5015		265.32	Shared Fund
Agy 732 D23 fund 5015		2,555.83	Shared Fund
Agy 733, D23 fund 5015		140,889.16	Shared Fund
Agy 734 D23 fund 5015		596.51	Shared Fund
Agy 735, D23 fund 5015		0.99	Shared Fund
Agy 738, D23 fund 5015		3,935.32	Shared Fund
Agy 743, D23 fund 5015		22.00	Shared Fund
Agy 747, D23 fund 5015		0.16	Shared Fund
Agy 751, D23 fund 5015		10,003.92	Shared Fund
Agy 752, D23 fund 5015		559.31	Shared Fund
Agy 753, D23 fund 5015		375.83	Shared Fund
Agy 754, D23 fund 5015		88.00	Shared Fund
Agy 755, D23 fund 5015		45.83	Shared Fund
Agy 756, D23 fund 5015		11,942.55	Shared Fund
Agy 757 D23 fund 5015		8,006.35	Shared Fund
Agy 759, D23 fund 5015		57.16	Shared Fund
Agy 760, D23 fund 5015		132.00	Shared Fund
Agy 765, D23 fund 5015		336.06	Shared Fund
Agy 781, D23 fund 5015		51,411.98	Shared Fund
Agy 783, D23 fund 5015		66.00	Shared Fund
Agy 784, D23 fund 5015		88.72	Shared Fund
Appd Fund 5140, D23 fund 5140			
Agy 305, D23 fund 5140		24,601.06	Shared Fund
Agy 332, D23 fund 5140		88.00	Shared Fund
Agy 411, D23 fund 5140		2,823.23	Shared Fund
Agy 530, D23 fund 5140		3,199.06	Shared Fund
Agy 537, D23 fund 5140		6,143.24	Shared Fund
Agy 551, D23 fund 5140		6,968.72	Shared Fund
Agy 701, D23 fund 5140		88.00	Shared Fund

	Due from Other Agencies	Due to Other Agencies	Source
Agy 711, D23 fund 5140		8,916.27	Shared Fund
Agy 714, D23 fund 5140		321.88	Shared Fund
Agy 721, D23 fund 5140		9,881.94	Shared Fund
Agy 754, D23 fund 5140		1,372.42	Shared Fund
Agy 755, D23 fund 5140		46.20	Shared Fund
Agy 781, D23 fund 5140		1,550.94	Shared Fund
Special Revenue (02)			
Agy 300, D23 fund 6873	$ 55,011.87		Federal Pass Through
Total Due From/To Other Agencies	$ 55,011.87	$ 671,954.78	
	Due from Other Funds	Due to Other Funds	Source
General Revenue (01)			
Appd Fund 0900, D23 fund 0090			
Agy 608, D23 fund 0006		$ 396,545.13	N/A
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 608, D23 fund 0090	$ 396,545.13		N/A
Total Due From/To Other Funds	$ 396,545.13	$ 396,545.13	

	Transfer In	Transfer Out	Source
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 601, D23 fund 0006		$ 1,084,152,565.11	Shared Cash
Total Transfers In/Out		$ 1,084,152,565.11	

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: RESTATEMENT OF FUND BALANCES/NET ASSETS

Not Applicable

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, 2011, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

	General Revenue Fund (0001)	Special Revenue Fund (0006)
Encumbrances	$2,697,815.00	$13,623,347.90

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.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

The TxDMV has assumed responsibility for all financial services previously supported by the Texas Department of Transportation (TxDOT). In accordance with H.B. 3097, TxDMV continues to receive support services from TxDOT for the majority of its information technology services. A new memorandum of understanding required by Article 8 of H.B. 3097 was drafted and agreed upon by both TxDMV and TxDOT to continue these services into the next year.

For Fiscal Year 2011, TxDMV was directly appropriated $142.7 million and received appropriations of $1.2 million from TxDOT, covering the FTE's hired to perform indirect services for the agency.

During the 82nd Legislative Session, S.B. 1420 transferred the oversize/overweight permitting function from TxDOT to TxDMV effective no later than January 1, 2012. This program will add 116 additional FTE's and approximately $14 million in additional appropriations over the next biennium to the TxDMV.

NOTE 19: THE FINANCIAL REPORTING ENTITY

The Financial Reporting Entity

The accompanying financial statements include the financial position and results of operations of all organizations, activities and functions considered to be within the scope of the department's reporting entity.

The Texas Department of Motor Vehicles is a component unit of the state of Texas, and of the statewide Consolidated Annual Financial Report to be issued by the Texas Comptroller of Public Accounts. As such, the department will be audited by the state auditor only to the extent necessary to express an opinion on the financial position of the state as a whole. Accordingly, the state auditor will not express an opinion on the financial statements contained in this report.

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

COMBINING FINANCIAL STATEMENTS

-UNAUDITED-

EXHIBIT A-1
COMBINING BALANCE SHEET
All General and Consolidated Funds
August 31, 2011

	Consolidated Accounts				
	General Revenue Account (0001)	Suspense Type Activities Account (0900)	Texas Collegiate License Plate Program Account (5015)	Speciality License Plate Program Account (5140)	Total
Assets					
Current Assets:					
Cash in Bank	$	$	$	$	$
Cash in State Treasury		500,801.93	491,960.74	66,000.96	1,058,763.63
Legislative Appropriations	4,853,618.37				4,853,618.37
Receivables:					
Federal					
Accounts Receivable					
Due From Other Funds (Note 12)					
Due From Other Agencies (Note 12)					
Consumable Inventories					
Total Current Assets	$ 4,853,618.37	$ 500,801.93	$ 491,960.74	$ 66,000.96	$ 5,912,382.00
Liabilities					
Current Liabilities	$	$	$	$	$
Payables:					
Accounts Payable	731,363.49				731,363.49
Payroll Payable	70,719.63				70,719.63
Due to Other Funds (Note 12)		396,545.13			396,545.13
Due to Other Agencies (Note 12)	9,736.28	104,256.80	491,960.74	66,000.96	671,954.78
Total Current Liabilities	811,819.40	500,801.93	491,960.74	66,000.96	1,870,583.03
Fund Balances					
Non Spendable (Inventory)					
Restricted					
Unassigned	4,041,798.97				4,041,798.97
Total Fund Balance	4,041,798.97	0.00	0.00	0.00	4,041,798.97
Total Liabilities and Fund Balances	$ 4,853,618.37	$ 500,801.93	$ 491,960.74	$ 66,000.96	$ 5,912,382.00

EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
All General and Consolidated Funds
For the Year Ended August 31, 2011

	General Revenue Account (0001)	Suspense Type Activities Account (0900)	Texas Collegiate License Plate Program Account (5015)	Speciality License Plate Program Account (5140)	Totals
Revenues					
Legislative Appropriations :					
Original Appropriations	$ 15,307,283.00	$	$	$	$ 15,307,283.00
Additional Appropriations	175,379.75				175,379.75
Federal Revenues					
Federal Pass-Through					
State Grant Pass -Through					
Licenses, Fees and Permits					
Interest & Investment Income					
Settlement of Claims					
Sales of Goods and Services					
Other Revenues					
Total Revenues	15,482,662.75	0.00	0.00	0.00	15,482,662.75
Expenditures					
Salaries and Wages	637,395.32				637,395.32
Payroll Related Costs	167,164.87				167,164.87
Professional Fees and Services	276,507.91				276,507.91
Travel	22,878.26				22,878.26
Materials and Supplies	25,058.40				25,058.40
Communications and Utilities	5,218.57				5,218.57
Repairs and Maintenance	4,312.25				4,312.25
Rentals and Leases	13,433.32				13,433.32
Printing and Reproduction					
Claims and Judgements					
Federal Pass-Through Expenditures					
State Grant Pass-Through Expenditures	171,432.24				171,432.24
Intergovernmental Payments	13,340,638.54				13,340,638.54
Public Assistance Programs					
Other Operating Expenditures	788,852.50				788,852.50
Capital Outlay	13,365.00				13,365.00
Total Expenditures	15,466,257.18	0.00	0.00	0.00	15,466,257.18
Excess (Deficit) of Revenues over Expenditures	16,405.57	0.00	0.00	0.00	16,405.57
Other Financing Sources (Uses)					
Operating Transfers In (Note 12)					
Operating Transfers Out (Note 12)					
Insurance Recoveries					
Sale of Capital Assets					
Legislative Transfers In (Note 12)					
Legislative Transfers Out (Note 12)					
Total Other Financing Sources (Uses)	0.00	0.00	0.00	0.00	0.00
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	16,405.57				16,405.57
Fund Balance - Beginning	4,025,393.40				4,025,393.40
Restatements					
Fund Balance As Restated	4,025,393.40	0.00	0.00	0.00	4,025,393.40
Appropriations Lapsed					
Fund Balance - Ending	$ 4,041,798.97	$ 0.00	$ 0.00	$ 0.00	$ 4,041,798.97

-UNAUDITED-

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
August 31, 2011

	Beginning Balances September 1, 2010	Additions	Deductions	Ending Balances August 31, 2011
Proportional Registration Distributive Fund (0021)				
Assets:				
Cash in State Treasury	$ 4,451,466.63	$ 82,628,102.43	$ 83,260,561.28	$ 3,819,007.78
Liabilities:				
Accounts Payable		35,170,874.57	35,170,874.57	0.00
Funds Held for Others	4,451,466.63	82,628,102.43	83,260,561.28	3,819,007.78
Total	$ 4,451,466.63	$ 117,798,977.00	$ 118,431,435.85	$ 3,819,007.78
Child Support - Employe Deduction (0807)				
Assets:				
Cash in State Treasury	$ 5,531.94	$ 74,826.72	$ 74,367.72	$ 5,990.94
Liabilities:				
Accounts Payable		68,437.08	68,437.08	0.00
Funds Held for Others	5,531.94	69,294.78	68,835.78	5,990.94
Total	$ 5,531.94	$ 137,731.86	$ 137,272.86	$ 5,990.94
Suspense Fund (0900)				
Assets:				
Cash in State Treasury	$ 0.00	$ 76,432,257.02	$ 75,903,637.42	$ 528,619.60
Liabilities:				
Accounts Payable	(601,461.62)	65,831,452.26	66,432,913.88	(1,202,923.24)
Funds Held for Others	601,461.62	76,132,257.02	75,002,175.80	1,731,542.84
Total	$ 0.00	$ 141,963,709.28	$ 141,435,089.68	$ 528,619.60
Employees' Savings Bond Fund (0901)				
Assets:				
Cash in State Treasury	$ 650.00	$	$ 650.00	$ 0.00
Liabilities:				
Accounts Payable		650.00	650.00	0.00
Funds Held for Others	650.00		650.00	0.00
Total	$ 650.00	$ 650.00	$ 1,300.00	$ 0.00
Direct Deposit Correction Account (0980)				
Assets:				
Cash in State Treasury	$ 5.00	$ 4,978,503.38	$ 4,978,508.38	$ 0.00
Liabilities:				
Funds Held For Others	$ 5.00	$ 4,978,503.38	$ 4,978,508.38	$ 0.00
Total - All Agency Funds				
Assets:				
Cash in State Treasury	4,457,653.57	164,113,689.55	164,217,724.80	4,353,618.32
Total Assets	$ 4,457,653.57	$ 164,113,689.55	$ 164,217,724.80	$ 4,353,618.32
Liabilities:				
Accounts Payable	(601,461.62)	101,071,413.91	101,672,875.53	(1,202,923.24)
Funds Held For Others	5,059,115.19	163,808,157.61	163,310,731.24	5,556,541.56
Total Liabilities	$ 4,457,653.57	$ 264,879,571.52	$ 264,983,606.77	$ 4,353,618.32
				(Exhibit VI)

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

SCHEDULES

-UNAUDITED-

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From: Agency Number	Pass-Through From: State Agency or University Amount	Pass-Through From: Non-State Entities Amount	Direct Program Amount
U.S. Department of Transportation					
Direct Programs:					
Performance and Registration Information Systems Management	20.231		$	$	$ 47,836.57
Total					47,836.57
U. S. Department of Justice					
Pass-Through From:					
Edward Byrne Memorial Justice Assistance Grant	16.738	300	194,026.73		
Total			194,026.73		
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 194,026.73	$	$ 47,836.57

Note 1 - Reconciliation

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

Federal Revenues (Exh II)	$ 47,836.57
Federal Pass-Through Revenues (Exh II)	194,026.73
Total	$ 241,863.30

Total Pass Through From & Direct Program	Pass-Through To Agency Number	Pass-Through To State Agency or University Amount	Pass-Through To Non-State Entities Amount	Expenditure Amount	Total Pass Through To & Expenditures
$		$	$	$ 47,836.57	$ 47,836.57
47,836.57				47,836.57	47,836.57
194,026.73				194,026.73	194,026.73
194,026.73				194,026.73	194,026.73
$ 241,863.30		$	$	$ 241,863.30	$ 241,863.30

-UNAUDITED-

SCHEDULE 1B
SCHEDULE OF STATE GRANT PASS -THROUGHS FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2011

General Funds

Pass -Through To:		
BATIC Grants		
Texas Dept of Public Safety (405)	$ 119,516.97	
Stolen Vehicles		
Texas Dept of Public Safety (405)	51,915.27	
Total State Pass- Throughs to Other Agencies		**$ 171,432.24**

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