

# Annual Financial Report

Fiscal Year Ended

August 31, 2012



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Financial Services Division



# Annual Financial Report

## Fiscal Year Ended August 31, 2012

Prepared by  
Financial Services Division

November 20, 2012

Victor Vandergriff, Chairman

Laura Ryan, Vice-Chair  
Robert Barnwell, III, Board Member  
Blake Ingram, Board Member  
Cheryl Johnson, Board Member

Raymond Palacios, Jr., Board Member  
Victor Rodriguez, Board Member  
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Johnny Walker III, Board Member

Whitney H. Brewster  
Executive Director

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

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November 20, 2012

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

Ladies and Gentlemen:

Attached is the Texas Department of Motor Vehicle's annual financial report for the year ended 08/31/2012, 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,

Whitney H. Brewster  
Executive Director



## **COMBINED FINANCIAL STATEMENTS**

-UNAUDITED-

**EXHIBIT I**  
**COMBINED BALANCE SHEET**  
**Statement of Net Assets - Governmental Funds**  
**August 31, 2012**

	Governmental Fund Types		Total Governmental	Capital Asset Adjustments	Long Term Liabilities Adjustments	Statement of Net Assets
	General (EXH A-1)	Special Revenue State Highway Fund (0006)				
<b>Assets</b>						
<b>Current Assets:</b>						
Cash on Hand	\$	\$ 10,145.00	\$ 10,145.00	\$	\$	\$ 10,145.00
Cash in Bank		20,000.00	20,000.00			20,000.00
Cash in State Treasury	4,961,316.76		4,961,316.76			4,961,316.76
Legislative Appropriations	4,529,046.72		4,529,046.72			4,529,046.72
Receivables:						
Federal		21,379.91	21,379.91			21,379.91
Accounts Receivable		112,858,646.70	112,858,646.70			112,858,646.70
Due From Other Funds (Note 12)		3,126,773.36	3,126,773.36			3,126,773.36
Due From Other Agencies (Note 12)			0.00			0.00
Consumable Inventories		29,645.24	29,645.24			29,645.24
<b>Total Current Assets</b>	<u>9,490,363.48</u>	<u>116,066,590.21</u>	<u>125,556,953.69</u>			<u>125,556,953.69</u>
<b>Non - Current Assets:</b>						
Capital Assets:						
Non - Depreciable						
Land and Land Improvements						
Depreciable						
Buildings and Building Improvements						
Less - Accumulated Depreciation						
Furniture and Equipment						
Less - Accumulated Depreciation						
Vehicles, Boats, & Aircraft						
Less - Accumulated Depreciation						
Intangibles Computer Software						
Less - Accumulated Amortization						
<b>Total Non Current Assets</b>				<u>584,853.98</u>		<u>584,853.98</u>
<b>Total Assets</b>	<u>\$ 9,490,363.48</u>	<u>\$ 116,066,590.21</u>	<u>\$ 125,556,953.69</u>	<u>\$ 584,853.98</u>	<u>\$</u>	<u>\$ 126,141,807.67</u>

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 (EXH A-1)	Special Revenue State Highway Fund (0006)				
<b>Liabilities</b>						
Current Liabilities:						
Payables:						
Accounts Payable	\$ 277,503.21	\$ 3,981,464.79	\$ 4,258,968.00	\$	\$	\$ 4,258,968.00
Payroll Payable	33,085.33	3,538,197.28	3,571,282.61			3,571,282.61
Due to Other Funds (Note 12)	3,126,773.36		3,126,773.36			3,126,773.36
Due to Other Agencies (Note 12)	1,856,200.44		1,856,200.44			1,856,200.44
Employees Compensable Leave (Note 5)					2,141,166.94	2,141,166.94
<b>Total Current Liabilities</b>	<u>5,293,562.34</u>	<u>7,519,662.07</u>	<u>12,813,224.41</u>		<u>2,141,166.94</u>	<u>14,954,391.35</u>
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)					1,010,621.13	1,010,621.13
<b>Total Non-Current Liabilities</b>					<u>1,010,621.13</u>	<u>1,010,621.13</u>
<b>Total Liabilities</b>	<u>5,293,562.34</u>	<u>7,519,662.07</u>	<u>12,813,224.41</u>		<u>3,151,788.07</u>	<u>15,965,012.48</u>
<b>Fund Financial Statement</b>						
Fund Balances:						
Non Spendable (Inventory)		29,645.24	29,645.24			29,645.24
Restricted		108,517,282.90	108,517,282.90			108,517,282.90
Unassigned	4,196,801.14		4,196,801.14			4,196,801.14
Total Fund Balances	<u>4,196,801.14</u>	<u>108,546,928.14</u>	<u>112,743,729.28</u>			<u>112,743,729.28</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 9,490,363.48</u>	<u>\$ 116,066,590.21</u>	<u>\$ 125,556,953.69</u>			
<b>Government-Wide Statement of Net Assets</b>						
Net Assets:						
Invested in Capital Assets, Net of Related Debt			\$ 584,853.98	\$	\$	\$ 584,853.98
Unrestricted					(3,151,788.07)	(3,151,788.07)
Total Net Assets			<u>\$ 584,853.98</u>	<u>\$</u>	<u>(3,151,788.07)</u>	<u>\$ 110,176,795.19</u>

-UNAUDITED-

**EXHIBIT II**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Statement of Activities - Governmental Funds**  
**For the Year Ended August 31, 2012**

	Governmental Fund Types			Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
	General (EXH A-2)	Special Revenue State Highway Fund (0006)	Total Governmental			
<b>Revenues</b>						
Legislative Appropriations:						
Original Appropriations	\$ 14,911,870.00	\$	\$ 14,911,870.00		\$	\$ 14,911,870.00
Additional Appropriations	755,578.70		755,578.70			755,578.70
Federal Revenues		57,443.70	57,443.70			57,443.70
Federal Pass-Through Revenues			0.00			0.00
State Grant Pass- Through						0.00
Licenses, Fees and Permits		1,423,336,198.95	1,423,336,198.95			1,423,336,198.95
Interest & Investment Income						0.00
Settlement of Claims		745,085.60	745,085.60			745,085.60
Sales of Goods and Services		631,780.45	631,780.45			631,780.45
Other		72,768.41	72,768.41			72,768.41
<b>Total Revenues</b>	<b>15,667,448.70</b>	<b>1,424,843,277.11</b>	<b>1,440,510,725.81</b>			<b>1,440,510,725.81</b>
<b>Expenditures</b>						
Salaries and Wages	290,262.51	31,896,280.02	32,186,542.53		588,807.30	32,775,349.83
Payroll Related Costs	740,828.81	7,656,611.21	8,397,440.02			8,397,440.02
Professional Fees and Services	54,648.47	10,019,493.10	10,074,141.57			10,074,141.57
Travel	15,267.04	329,997.00	345,264.04			345,264.04
Materials and Supplies	30,962.66	19,299,262.24	19,330,224.90			19,330,224.90
Communications and Utilities	653.58	3,639,637.76	3,640,291.34			3,640,291.34
Repairs and Maintenance	14,672.37	1,614,840.81	1,629,513.18			1,629,513.18
Rentals and Leases	10,000.21	593,046.20	603,046.41			603,046.41
Printing and Reproduction	12,610.63	5,005,734.84	5,018,345.47			5,018,345.47
Claims and Judgements						
Federal Pass-Through Expenditures						
State Grant Pass-Through Expenditures	95,972.79		95,972.79			95,972.79
Intergovernmental Payments	12,468,595.65		12,468,595.65			12,468,595.65
Public Assistance Programs			0.00			0.00
Other Operating Expenditures	491,455.08	30,235,431.84	30,726,886.92			30,726,886.92
Capital Outlay		334,729.35	334,729.35	(334,729.35)		0.00
Depreciation Expense				91,532.14		91,532.14
<b>Total Expenditures</b>	<b>14,225,929.80</b>	<b>110,625,064.37</b>	<b>124,850,994.17</b>	<b>(243,197.21)</b>	<b>588,807.30</b>	<b>125,196,604.26</b>
Excess (Deficit) of Revenues over Expenditures	1,441,518.90	1,314,218,212.74	1,315,659,731.64	243,197.21	(588,807.30)	1,315,314,121.55
<b>Other Financing Sources (Uses)</b>						
Transfers In (Note 12)						
Transfers Out (Note 12)	(21,498.75)	(1,300,680,260.28)	(1,300,701,759.03)			(1,300,701,759.03)
Sale of Capital Assets	21,498.75	7,166.25	28,665.00			28,665.00
Loss on Capital Assets						0.00
Insurance Recoveries						
Legislative Transfers In (Note 12)	17,823.16		17,823.16			17,823.16
Legislative Transfers Out (Note 12)						
Inc (Dec) in Net Assets Due to Interagency Transfer				(396.70)		
<b>Total Other Financing Sources (Uses)</b>	<b>17,823.16</b>	<b>(1,300,673,094.03)</b>	<b>(1,300,655,270.87)</b>	<b>(396.70)</b>		<b>(1,300,655,270.87)</b>
<b>Net Change in Fund Balances/Net Assets</b>	<b>1,459,342.06</b>	<b>13,545,118.71</b>	<b>15,004,460.77</b>	<b>242,800.51</b>	<b>(588,807.30)</b>	<b>14,658,453.98</b>
<b>Fund Financial Statement - Fund Balance</b>						
<b>Fund Balance - Beginning</b>	<b>4,041,798.97</b>	<b>95,001,809.43</b>	<b>99,043,608.40</b>			<b>99,043,608.40</b>
Restatements						
<b>Fund Balance as Restated</b>	<b>4,041,798.97</b>	<b>95,001,809.43</b>				<b>99,043,608.40</b>
Appropriations Lapsed	(1,304,339.89)					
<b>Fund Balances - August 31, 2012</b>	<b>\$ 4,196,801.14</b>	<b>\$ 108,546,928.14</b>	<b>\$ 112,743,729.28</b>			<b>\$ 112,743,729.28</b>
<b>Government-wide Statement of Net Assets</b>						
Net Change in Net Assets			\$ 112,743,729.28	242,800.51	\$ (588,807.30)	\$ 112,397,722.49
Net Assets-Beginning				342,053.47	(2,562,980.77)	(2,220,927.30)
Restatements						
Net Assets, September 1, 2011, as Restated and Adjusted				342,053.47	(2,562,980.77)	(2,220,927.30)
Net Assets-August 31, 2012			\$ 112,743,729.28	584,853.98	\$ (3,151,788.07)	\$ 110,176,795.19

-UNAUDITED-

**EXHIBIT VI**  
**COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**August 31, 2012**

	Agency Funds (Exhibit J-1)
<b>Assets</b>	
<b>Current Assets:</b>	
Cash in State Treasury	\$ 4,260,139.93
<b>Total Current Assets</b>	4,260,139.93
 <b>Total Assets</b>	 4,260,139.93
 <b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	0.00
Funds Held for Others	4,260,139.93
<b>Total Current Liabilities</b>	4,260,139.93
 <b>Total Liabilities</b>	 \$ 4,260,139.93
 <b>Net Assets</b>	
Net Assets:	0.00
<b>Total Net Assets</b>	\$ 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. House Bill 3097 amended the Transportation Code to create the TxDMV as an agency of the state. As a result, the following divisions of the Texas Department of Transportation (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.

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

#### 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.

The agency collected \$23.6 million in revenue from the \$1 fee authorized by House Bill 3014, 76<sup>th</sup> 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.

### **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.

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 1<sup>st</sup>.

#### 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 instead of accounts receivable or accounts payable.

**NOTE 2: CAPITAL ASSETS**

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

Governmental Activities	PRIMARY GOVERNMENT							
	Balance 09/01/11	Adjust/ Restate	Reclass. Completed CIP	Reclass. Increase Inter- Agency Transaction	Reclass. Decrease Inter- Agency Transaction	Additions	Deletions	Balance 08/31/12
Non-Depreciable Assets	\$			\$		\$	\$	\$
Total Non-Depreciable Assets								
Depreciable Assets								
Buildings and Building Improvements								
Furniture and Equipment	835,146.44			651,906.92		273,669.39	(92,431.14)	1,668,291.61
Vehicles, Boats, & Aircraft	763,273.08			241,588.00			(210,247.00)	794,614.08
Other Assets								
Total Depreciable Assets	1,598,419.52			893,494.92		273,669.39	(302,678.14)	2,462,905.69
Less Accumulated Depreciation for:								
Buildings and Building Improvements								
Furniture and Equipment	(683,209.17)			(566,304.40)		(53,471.08)	85,403.38	(1,217,581.27)
Vehicles, Boats, & Aircraft	(580,679.77)			(219,441.40)		(37,888.40)	170,588.90	(667,420.67)
Other Capital Assets								
Total Accumulated Depreciation	(1,263,888.94)			(785,745.80)		(91,359.48)	255,992.28	(1,885,001.94)
Depreciable Assets, Net	334,530.58			107,749.12		182,309.91	(46,685.86)	577,903.75
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	225,588.48						(8,000.00)	217,588.48
Other Capital Intangible								
Total Amortizable Assets – Intangible	225,588.48						(8,000.00)	217,588.48
Less Accumulated Amortization for:								
Land Use Rights								
Computer Software	(218,065.59)					(172.66)	7,600.00	(210,638.25)
Other Capital Intangible								
Total Accumulated Amortization	(218,065.59)					(172.66)	7,600.00	(210,638.25)
Amortizable Assets –Intangible, Net	7,522.89					(172.66)	(400.00)	6,950.23
Governmental Activities Capital Assets, Net	\$342,053.47			\$107,749.12		\$182,137.25	\$ (47,085.86)	\$ 584,853.98

**NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS****Deposits of Cash in Bank**

As of August 31, 2012, the carrying amount of deposits was \$20,000.00 as presented below:

	<b>Amount</b>
Cash in Bank – Carrying Amount	\$ 20,000.00
<b>Total Cash in Bank per AFR (Exhibit I)</b>	<b>\$ 20,000.00</b>

**NOTE 4: SHORT-TERM DEBT**

Not applicable

**NOTE 5: LONG-TERM LIABILITIES****Changes in Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>Balance 9/01/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 8/31/12</b>	<b>Amounts Due Within One Year</b>
Compensable Leave	\$2,562,980.77	\$3,821,993.54	\$3,233,186.24	\$3,151,788.07	\$2,141,166.94

**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 statement are the following amounts of rent paid or due under operating lease obligations:

<b>Fund Type</b>	<b>Amount</b>
Fund 0006	\$ 339,617.73

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

<b>Year Ended August 31,</b>	
2013	\$ 316,302.48
2014	316,302.48
2015	255,548.94
2016	130,629.60
2017	86,459.10
2018-22	161,718.75
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 1,266,961.35</b>

**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, 2012 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		\$21,657.04	State Pass Through
Appd Fund 0900, D23 fund 0090			
Agy 304, D23 fund 0001		\$ 1,298,410.86	Revenue Transfer
Appd Fund 5015, D23 fund 5015			
Agy 506, D23 fund 5015		2,353.95	Shared Fund
Agy 711, D23 fund 5015		30,038.18	Shared Fund
Agy 714, D23 fund 5015		1,546.95	Shared Fund
Agy 715, D23 fund 5015		65,391.01	Shared Fund
Agy 717, D23 fund 5015		6,328.49	Shared Fund
Agy 721, D23 fund 5015		6,968.38	Shared Fund
Agy 724, D23 fund 5015		7,109.87	Shared Fund
Agy 730, D23 fund 5015		6,241.24	Shared Fund
Agy 733 D23 fund 5015		91,369.91	Shared Fund
Agy 734, D23 fund 5015		596.51	Shared Fund
Agy 735 D23 fund 5015		235.99	Shared Fund
Agy 743, D23 fund 5015		66.00	Shared Fund
Agy 747, D23 fund 5015		.16	Shared Fund
Agy 751, D23 fund 5015		1,409.07	Shared Fund
Agy 752, D23 fund 5015		2,078.53	Shared Fund
Agy 753, D23 fund 5015		4,720.74	Shared Fund
Agy 754, D23 fund 5015		3,994.59	Shared Fund
Agy 755, D23 fund 5015		4,286.25	Shared Fund
Agy 756, D23 fund 5015		14,140.69	Shared Fund
Agy 757, D23 fund 5015		2,233.29	Shared Fund
Agy 759, D23 fund 5015		2,648.45	Shared Fund
Agy 765 D23 fund 5015		1,690.64	Shared Fund
Agy 781, D23 fund 5015		87,194.27	Shared Fund
Agy 783, D23 fund 5015		390.49	Shared Fund
Agy 784, D23 fund 5015		2,635.40	Shared Fund
Appd Fund 5140, D23 fund 5140			
Agy 302, D23 fund 5140		6,046.08	Shared Fund
Agy 305, D23 fund 5140		29,604.17	Shared Fund
Agy 332, D23 fund 5140		485.82	Shared Fund
Agy 411, D23 fund 5140		3,435.57	Shared Fund
Agy 530, D23 fund 5140		6,280.83	Shared Fund
Agy 537, D23 fund 5140		9,930.82	Shared Fund
Agy 551, D23 fund 5140		9,272.82	Shared Fund
Agy 701, D23 fund 5140		861.62	Shared Fund
Agy 711, D23 fund 5140		42,861.73	Shared Fund
Agy 714, D23 fund 5140		1,505.49	Shared Fund

	Due from Other Agencies	Due to Other Agencies	Source
Agy 715, D23 fund 5140		10,369.42	Shared Fund
Agy 721, D23 fund 5140		55,900.34	Shared Fund
Agy 754, D23 fund 5140		7,184.05	Shared Fund
Agy 755, D23 fund 5140		3,430.34	Shared Fund
Agy 781, D23 fund 5140		3,294.39	Shared Fund
<b>Total Due From/To Other Agencies</b>		<b>\$1,856,200.44</b>	
	Due from Other Funds	Due to Other Funds	Source
General Revenue (01)			
Appd Fund 0900, D23 fund 0090			
Agy 608, D23 fund 0006		\$ 3,126,773.36	N/A
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 608, D23 fund 0090	\$ 3,126,773.36		N/A
<b>Total Due From/To Other Funds</b>	<b>\$ 3,126,773.36</b>	<b>\$ 3,126,773.36</b>	

	Transfer In	Transfer Out	Source
General Revenue (01)			
Appd Fund 0001, D23 fund 0001			
Agy 601, D23 fund 0001	\$17,823.16		Leg Transfer for OS/OW
Appd Fund 0001, D23 fund 0001			
Agy 902, D23 fund 0001		\$21,498.75	Surplus Property
Special Revenue (02)			
Appd Fund 0006, D23 fund 0006			
Agy 601, D23 fund 0006		\$ 1,300,680,260.28	Shared Cash
<b>Total Transfers In/Out</b>	<b>\$17,823.16</b>	<b>\$ 1,300,701,759.03</b>	

**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, 2012, the TxDMV had encumbered the following amounts in governmental funds for signed contracts and purchase orders:

	<b>General Revenue Fund (0001)</b>	<b>Special Revenue Fund (0006)</b>
Encumbrances	\$4,021,531.61	\$9,158,311.78

**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**

In accordance with the 82nd Legislative Session, S.B. 1420, the oversize/overweight permitting function transferred from TxDOT to TxDMV effective January 1, 2012. This program added 116 additional FTE's and approximately \$14 million in additional appropriations over the next biennium to the TxDMV.

For Fiscal Year 2012, TxDMV had a significant increase in revenue of approximately \$250 million related to the increase in registrations (\$156M) and fees for oversize/overweight permitting (\$100M.) Salaries and payroll related costs increased by \$7.4 million as a result addition of the oversize/overweight FTEs and filled positions that were pending from the TxDOT transition in Fiscal Year 2011. Professional Services also impacted the increase of expenditures by approximately \$5 million as a result of work on the technology infrastructure improvements through the Texas Automation Systems Project.

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 agreed upon by both TxDMV and TxDOT will continue these services into the next year.

**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, 2012**

	Consolidated Accounts				Total	
	General Revenue Account (0001)	Suspense Type Activities Account (0900)	Texas Collegiate License Plate Program Account (5015)	Speciality License Plate Program Account (5140)		
<b>Assets</b>						
Current Assets:						
Cash in Bank	\$	\$	\$	\$	\$	
Cash in State Treasury		0.00	4,425,184.22	345,669.05	190,463.49	
Legislative Appropriations		4,529,046.72			4,529,046.72	
Receivables:						
Federal						
Accounts Receivable						
Due From Other Funds (Note 12)						
Due From Other Agencies (Note 12)						
Consumable Inventories						
<b>Total Current Assets</b>		4,529,046.72	4,425,184.22	345,669.05	190,463.49	9,490,363.48
<b>Liabilities</b>						
Current Liabilities						
Payables:						
Accounts Payable		277,503.21			277,503.21	
Payroll Payable		33,085.33			33,085.33	
Due to Other Funds (Note 12)			3,126,773.36		3,126,773.36	
Due to Other Agencies (Note 12)		21,657.04	1,298,410.86	345,669.05	190,463.49	
<b>Total Current Liabilities</b>		332,245.58	4,425,184.22	345,669.05	190,463.49	5,293,562.34
<b>Fund Balances</b>						
Non Spendable (Inventory)						
Restricted						
Unassigned		4,196,801.14			4,196,801.14	
<b>Total Fund Balance</b>		4,196,801.14	0.00	0.00	0.00	4,196,801.14
<b>Total Liabilities and Fund Balances</b>	\$	4,529,046.72	\$ 4,425,184.22	\$ 345,669.05	\$ 190,463.49	\$ 9,490,363.48

**EXHIBIT A-2**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**All General and Consolidated Funds**  
**For the Year Ended August 31, 2012**

	General Revenue Account (0001)	Suspense Type Activities Account (0900)	Texas Collegiate License Plate Program Account (5015)	Speciality License Plate Program Account (5140)	Totals
<b>Revenues</b>					
Legislative Appropriations :					
Original Appropriations	\$ 14,911,870.00	\$	\$	\$	\$ 14,911,870.00
Additional Appropriations	755,578.70				755,578.70
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					
<b>Total Revenues</b>	<u>15,667,448.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>15,667,448.70</u>
<b>Expenditures</b>					
Salaries and Wages	290,262.51				290,262.51
Payroll Related Costs	740,828.81				740,828.81
Professional Fees and Services	54,648.47				54,648.47
Travel	15,267.04				15,267.04
Materials and Supplies	30,962.66				30,962.66
Communications and Utilities	653.58				653.58
Repairs and Maintenance	14,672.37				14,672.37
Rentals and Leases	10,000.21				10,000.21
Printing and Reproduction	12,610.63				12,610.63
Claims and Judgements					
Federal Pass-Through Expenditures					
State Grant Pass-Through Expenditures	95,972.79				95,972.79
Intergovernmental Payments	12,468,595.65				12,468,595.65
Public Assistance Programs					
Other Operating Expenditures	491,455.08				491,455.08
Capital Outlay					
<b>Total Expenditures</b>	<u>14,225,929.80</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>14,225,929.80</u>
Excess (Deficit) of Revenues over Expenditures	<u>1,441,518.90</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,441,518.90</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In (Note 12)					
Operating Transfers Out (Note 12)	(21,498.75)				(21,498.75)
Insurance Recoveries					
Sale of Capital Assets	21,498.75				21,498.75
Legislative Transfers In (Note 12)	17,823.16				17,823.16
Legislative Transfers Out (Note 12)					
<b>Total Other Financing Sources (Uses)</b>	<u>17,823.16</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>17,823.16</u>
Excess (Deficit) of Revenues and other Sources Over Expenditures and Other Uses	1,459,342.06				1,459,342.06
<b>Fund Balance - Beginning</b>	4,041,798.97				4,041,798.97
Restatements					
<b>Fund Balance As Restated</b>	<u>4,041,798.97</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,041,798.97</u>
Appropriations Lapsed	(1,304,339.89)				(1,304,339.89)
<b>Fund Balance - Ending</b>	<u>\$ 4,196,801.14</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 4,196,801.14</u>

-UNAUDITED-

**EXHIBIT J-1**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**All Agency Funds**  
**August 31, 2012**

	<b>Beginning Balances September 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balances August 31, 2012</b>
Proportional Registration Distributive Fund (0021)				
Assets:				
Cash in State Treasury	\$ <u>3,819,007.78</u>	\$ <u>91,053,995.27</u>	\$ <u>90,619,340.12</u>	\$ <u>4,253,662.93</u>
Liabilities:				
Accounts Payable	0.00	34,753,623.69	34,753,623.69	0.00
Funds Held for Others	3,819,007.78	87,236,155.79	86,801,500.64	4,253,662.93
Total	\$ <u>3,819,007.78</u>	\$ <u>121,989,779.48</u>	\$ <u>121,555,124.33</u>	\$ <u>4,253,662.93</u>
Child Support - Employee Deduction (0807)				
Assets:				
Cash in State Treasury	\$ <u>5,990.94</u>	\$ <u>79,861.40</u>	\$ <u>79,375.34</u>	\$ <u>6,477.00</u>
Liabilities:				
Accounts Payable	0.00	73,384.40	73,384.40	0.00
Funds Held for Others	5,990.94	73,870.46	73,384.40	6,477.00
Total	\$ <u>5,990.94</u>	\$ <u>147,254.86</u>	\$ <u>146,768.80</u>	\$ <u>6,477.00</u>
Suspense Fund (0900)				
Assets:				
Cash in State Treasury	\$ <u>528,619.60</u>	\$ <u>207,049,866.73</u>	\$ <u>207,578,486.33</u>	\$ <u>0.00</u>
Liabilities:				
Accounts Payable	0.00	72,248,898.84	72,248,898.84	0.00
Funds Held for Others	528,619.60	205,405,756.79	205,934,376.39	0.00
Total	\$ <u>528,619.60</u>	\$ <u>277,654,655.63</u>	\$ <u>278,183,275.23</u>	\$ <u>0.00</u>
Direct Deposit Correction Account (0980)				
Assets:				
Cash in State Treasury	\$ <u>0.00</u>	\$ <u>10,431.78</u>	\$ <u>10,431.78</u>	\$ <u>0.00</u>
Liabilities:				
Funds Held For Others	\$ <u>0.00</u>	\$ <u>10,431.78</u>	\$ <u>10,431.78</u>	\$ <u>0.00</u>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash in State Treasury	4,353,618.32	298,194,155.18	298,287,633.57	4,260,139.93
<b>Total Assets</b>	\$ <u>4,353,618.32</u>	\$ <u>298,194,155.18</u>	\$ <u>298,287,633.57</u>	\$ <u>4,260,139.93</u>
<b>Liabilities:</b>				
Accounts Payable	0.00	107,075,906.93	107,075,906.93	0.00
Funds Held For Others	4,353,618.32	292,726,214.82	292,819,693.21	4,260,139.93
<b>Total Liabilities</b>	\$ <u>4,353,618.32</u>	\$ <u>399,802,121.75</u>	\$ <u>399,895,600.14</u>	\$ <u>4,260,139.93</u>

(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, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through From			Direct Program Amount
	CFDA Number	Agency Number	State Agency or University Amount	
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Performance and Registration Information Systems Management	20.231		\$	\$ 57,443.70
<b>Total</b>			<u>0.00</u>	<u>57,443.70</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 0.00</u>	<u>\$ 57,443.70</u>

Note 1 - Reconciliation

Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types (Exh II):	
Federal Revenues (Exh II)	\$ 57,443.70
Federal Pass-Through Revenues (Exh II)	<u>0.00</u>
Total	<u>\$ 57,443.70</u>

TEXAS DEPARTMENT OF MOTOR VEHICLES (608)

Total Pass Through From & Direct Program	Pass-Through To		Expenditure Amount	Total Pass Through To & Expenditures
	Agency Number	State Agency or University Amount		
\$	\$	\$	\$ 57,443.70	\$ 57,443.70
<u>57,443.70</u>	<u>0.00</u>	<u>0.00</u>	<u>57,443.70</u>	<u>57,443.70</u>
<u>\$ 57,443.70</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 57,443.70</u>	<u>\$ 57,443.70</u>

-UNAUDITED-

**SCHEDULE 1B**  
**SCHEDULE OF STATE GRANT PASS -THROUGHS FROM/TO STATE AGENCIES**  
**For the Fiscal Year Ended August 31, 2012**

**General Funds**

**Pass -Through To:**

BATIC Grants

Texas Dept of Public Safety (405) \$ 24,505.69

Stolen Vehicles

Texas Dept of Public Safety (405) 71,467.10

**Total State Pass- Throughs to Other Agencies** \$ 95,972.79



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