



Texas State Board of  
Public Accountancy

# **Annual Financial Report**

For the Fiscal Year Ended August 31, 2016

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**  
**ANNUAL FINANCIAL REPORT**

**For the Year Ended August 31, 2016**

WILLIAM TREACY  
EXECUTIVE DIRECTOR

Prepared by: Alan L. Hermanson, CPA  
Director of Administrative Services/CFO  
(512) 305-7814



# Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

November 20, 2016

Honorable Rick Perry, Governor  
Honorable David Dewhurst, Lieutenant Governor  
Honorable Joe Straus, Speaker of the House  
Honorable Glen Hegar, State Comptroller  
Ursula Parks, Director, Legislative Budget Board  
Lisa R. Collier, CPA, CFE, CIDA, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas State Board of Public Accountancy for the year ended August 31, 2016, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Texas 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; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please call Alan Hermanson, CPA, at (512) 305-7814.

Sincerely,

TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY

A handwritten signature in blue ink that reads "William Treacy". The signature is fluid and cursive, with a long, sweeping tail on the letter "y".

WILLIAM TREACY  
Executive Director

Enclosure

xc: Legislative Reference Library  
Texas State Library

Administration/  
Accounting  
(512) 305-7800

Automated  
Information  
(512) 305-7870

CPE  
(512) 305-7844

Enforcement  
(512) 305-7866

Licensing  
(512) 305-7853

Qualifications  
(512) 305-7850  
(512) 305-7851

Peer  
Review  
(512) 305-7853

FAX  
(512) 305-7875  
(512) 305-7854

[www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us)

An equal opportunity, affirmative action employer

# TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

## ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2016

### MEMBERS OF THE BOARD (As of August 31, 2016)

J. Coalter Baker, CPA, Presiding Officer.....	Austin
Donna J. Hugly, CPA, Assistant Presiding Officer .....	Addison
Robert M. "Bob" McAdams, CPA, Treasurer.....	San Antonio
Steve D. Peña, CPA, Secretary.....	Round Rock
Rocky L. Duckworth, CPA, Executive Committee Member.....	Houston
William "Bill" Lawrence, Executive Committee Member.....	Highland Village
John R. Broaddus, CPA.....	El Paso
Jonathan B. Cluck, Esq. ....	Boerne
Susan Fletcher.....	Frisco
Ross T. Johnson, CPA .....	Houston
Timothy L. "Tim" LaFrey, Esq., CPA.....	Austin
Roselyn "Rosie" Morris, Ph.D., CPA.....	San Marcos
Bejamin "Ben" Peña, CPA, CFE.....	Brownsville
Kimberly E. Wilkerson, Esq. ....	Lubbock
Phillip W. Worley.....	Hebbronville

---

---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**  
Austin, Texas

**TABLE OF CONTENTS**

		<u>Page</u>
<b>I.</b>	<b>COMBINED FINANCIAL STATEMENTS</b>	
A.	Exhibit I: Combined Balance Sheet/Statement of Net Assets - Governmental Funds .....	1
B.	Exhibit II: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds .....	2
<b>II.</b>	<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>3</b>
<b>III.</b>	<b>COMBINING STATEMENTS AND SCHEDULES</b>	
A.	Exhibit A-1: Combining Balance Sheet - All General and Consolidated Funds .....	19
B.	Exhibit A-2: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All General and Consolidated Funds .....	20
C.	Exhibit J-1: Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	21
D.	Schedule 1-B: Schedule of State Grant Pass-Throughs - From/To State Agencies .....	23
E.	Schedule 4:	
1.	Schedule of Modified to Full Accrual Adjustments - Governmental Funds - Balance Sheet/Statement of Net Assets .....	24
2.	Schedule of Modified to Full Accrual Adjustments - Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.....	25

---

---

---

---

**IV. ADDENDA**

A. Organization of the Board ..... 27

B. Functions of the Board ..... 28

C. Organization Chart ..... 31

D. List of Bonded Employees..... 32

E. Statistical Information

    1. Registration and Licensure..... 33

    2. Qualifications ..... 35

    3. Enforcement ..... 37

    4. Collections ..... 41

    5. Expenditures..... 43

## I. COMBINED FINANCIAL STATEMENTS

- 
- 
- A. Exhibit I: Combined Balance Sheet/Statement of Net Assets –  
Governmental Funds
  - B. Exhibit II: Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balances/Statement of Activities –  
Governmental Funds
- 
-

---

---

This page intentionally left blank.

---

---

Texas State Board of Public Accountancy (457)

Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds

August 31, 2016

	Governmental Fund Types				Statement of Net Assets
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 25,924.20	\$ 25,924.20	\$ -	\$ -	\$ 25,924.20
Cash in Bank (Note 3)	8,209.80	8,209.80			8,209.80
Cash in State Treasury	395,692.45	395,692.45			395,692.45
Cash Equivalents (Note 3)	3,971,230.80	3,971,230.80			3,971,230.80
Short Term Investments	-	-			-
Due From Other Funds (Note 12)	180,830.62	180,830.62			180,830.62
Consumable Inventories	76,118.56	76,118.56			76,118.56
Total Current Assets	<u>4,658,006.43</u>	<u>4,658,006.43</u>	<u>-</u>	<u>-</u>	<u>4,658,006.43</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable					
Furniture and Equipment			465,450.94		465,450.94
Less Accumulated Depreciation			(339,906.78)		(339,906.78)
Vehicle, Boats, and Aircraft			16,348.14		16,348.14
Less Accumulated Depreciation			(16,348.14)		(16,348.14)
Other Capital Assets					-
Less Accumulated Depreciation					-
Receivables:					
Other Non-Current Assets					-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>125,544.16</u>	<u>-</u>	<u>125,544.16</u>
Total Assets	<u>\$ 4,658,006.43</u>	<u>\$ 4,658,006.43</u>	<u>\$ 125,544.16</u>	<u>\$ -</u>	<u>\$ 4,783,550.59</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	\$ 120,547.93	\$ 120,547.93	\$ -	\$ -	\$ 120,547.93
Accounts Payable	181,380.62	181,380.62			181,380.62
Payroll Payable	275,144.52	275,144.52			275,144.52
Due To Other Agencies (Note 12)	136,351.22	136,351.22			136,351.22
Due To Other Funds (Note 12)	180,830.62	180,830.62			180,830.62
Employees' Compensable Leave (Note 5)	-	-		185,899.66	185,899.66
Total Current Liabilities	<u>894,254.91</u>	<u>894,254.91</u>	<u>-</u>	<u>185,899.66</u>	<u>1,080,154.57</u>
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	-	-		164,274.44	164,274.44
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,274.44</u>	<u>164,274.44</u>
Total Liabilities	<u>894,254.91</u>	<u>894,254.91</u>	<u>-</u>	<u>350,174.10</u>	<u>1,244,429.01</u>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>					
Fund Balances (Deficits):					
Nonspendable	76,118.56	76,118.56			76,118.56
Committed:					
Board Policy Reserve (See Note 1.D)	2,044,009.00	2,044,009.00			2,044,009.00
Other	1,643,623.96	1,643,623.96			1,643,623.96
Total Fund Balances	<u>3,763,751.52</u>	<u>3,763,751.52</u>	<u>-</u>	<u>-</u>	<u>3,763,751.52</u>
Total Liabilities and Fund Balances	<u>\$ 4,658,006.43</u>	<u>\$ 4,658,006.43</u>	<u>-</u>	<u>-</u>	<u>\$ 4,658,006.43</u>
<b>GOVERNMENT-WIDE STATEMENT OF NET ASSETS</b>					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			125,544.16		125,544.16
Restricted					-
Unrestricted				(350,174.10)	(350,174.10)
Total Net Assets			<u>\$ 125,544.16</u>	<u>\$ (350,174.10)</u>	<u>\$ 3,539,121.58</u>

\* Column totals should agree to Exhibit II column totals.

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

**Texas State Board of Public Accountancy (457)**  
**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

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
<b>REVENUES</b>					
License, Fees & Permits	\$ 7,341,505.25	\$ 7,341,505.25			\$ 7,341,505.25
Interest and Investment Income	5,731.96	5,731.96			5,731.96
Sales of Goods and Services	-	-			-
Other	208,853.01	208,853.01			208,853.01
Total Revenues	<u>7,556,090.22</u>	<u>7,556,090.22</u>	-	-	<u>7,556,090.22</u>
<b>EXPENDITURES</b>					
Salaries and Wages	2,584,443.40	2,584,443.40		(4,088.87)	2,580,354.53
Payroll Related Costs	824,400.55	824,400.55			824,400.55
Professional Fees and Services	780,123.24	780,123.24			780,123.24
Travel	55,551.22	55,551.22			55,551.22
Materials and Supplies	179,772.54	179,772.54			179,772.54
Communication and Utilities	32,752.04	32,752.04			32,752.04
Repairs and Maintenance	100,174.47	100,174.47			100,174.47
Rentals & Leases	141,425.67	141,425.67			141,425.67
Printing and Reproduction	36,309.98	36,309.98			36,309.98
Claims and Judgments	-	-			-
State Grant Pass-Through	778,300.00	778,300.00			778,300.00
Intergovernmental Payments	404,590.80	404,590.80			404,590.80
Public Assistance Payments	107,500.00	107,500.00			107,500.00
Other Expenditures	382,861.79	382,861.79			382,861.79
Capital Outlay	53,348.40	53,348.40	(53,348.40)		-
Depreciation Expense	-	-	41,509.30		41,509.30
Total Expenditures/Expenses	<u>6,461,554.10</u>	<u>6,461,554.10</u>	<u>(11,839.10)</u>	<u>(4,088.87)</u>	<u>6,445,626.13</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,094,536.12</u>	<u>1,094,536.12</u>	<u>11,839.10</u>	<u>4,088.87</u>	<u>1,110,464.09</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Decrease in Net Assets - Property Adjustment	-	-			-
Transfers In (Note 1.F.)	7,519,678.12	7,519,678.12			7,519,678.12
Transfers Out (Note 1.F.)	(8,223,022.12)	(8,223,022.12)			(8,223,022.12)
Gain (Loss) on Sale of Capital Assets	-	-			-
Total Other Financing Sources and Uses	<u>(703,344.00)</u>	<u>(703,344.00)</u>	-	-	<u>(703,344.00)</u>
<b>SPECIAL ITEMS</b>					
	-	-			-
<b>EXTRAORDINARY ITEMS</b>					
	-	-			-
Net Change in Fund Balances/Net Assets	391,192.12	391,192.12			407,120.09
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>					
Fund Balances, Beginning	3,372,559.40	3,372,559.40			3,372,559.40
Adjustment to Fund Balances (Restatement) Note 14	-	-			-
Fund Balances, September 1, 2015, As Adjusted	<u>3,372,559.40</u>	<u>3,372,559.40</u>			<u>3,372,559.40</u>
Fund Balances, August 31, 2016	<u>\$ 3,763,751.52</u>	<u>\$ 3,763,751.52</u>			<u>\$ 3,779,679.49</u>
<b>GOVERNMENT-WIDE STATEMENT OF NET ASSETS</b>					
Net Assets/Change in Net Assets		<u>3,763,751.52</u>	<u>11,839.10</u>	<u>4,088.87</u>	<u>3,779,679.49</u>
Net Assets-Beginning			113,705.06	(354,262.97)	(240,557.91)
Restatements					-
Net Assets, September 1, 2015, as Restated			<u>113,705.06</u>	<u>(354,262.97)</u>	<u>(240,557.91)</u>
Net Assets, August 31, 2016			<u>\$ 125,544.16</u>	<u>\$ (350,174.10)</u>	<u>\$ 3,539,121.58</u>

\*Column totals should agree to Exhibit I column totals

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

## II. NOTES TO THE FINANCIAL STATEMENTS

---

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ENTITY

The Texas State Board of Public Accountancy (the Board) operates under the authority of the *Public Accountancy Act, Chapter 901 of the Texas Occupations Code (West 2015)*. The Board has the responsibility and authority to regulate the public practice of accounting in Texas. Its major functions include Licensing and Continuing Professional Education, Qualifications (Examination), Enforcement, Peer Review, Public Education and Sponsor Review. (For more detailed information about the Board and its functions, refer to Section IV of this report.)

The financial records of the Board comply with state statutes and regulations. This includes compliance with the *Reporting Requirements for Annual Financial Reports of State Agencies*, issued by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded 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 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; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

#### B. 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 AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

#### General Funds

##### General Revenue Fund (0001)

This fund is used to account for all financial resources of the state except for those required to be accounted for in another fund.

##### Texas State Board of Public Accountancy Local Operating Fund (2858,1009)

Senate Bill 1438 (1999) was passed and signed into law in 1999. It then became *Article 8930, T.R.C.S., the Self-Directed Semi-Independent Agency Project Act*. *Senate Bill 736, 77th Legislature, Regular Session, (2001)* resolved conflicts with other laws, and the agency became a self-directed, semi-independent agency effective September 1, 2001. The Board and two similar agencies were the focus of this pilot program. Effective September 1, 2013, *HB 1685, 83<sup>rd</sup> Legislature, Regular Session, (2013)*, codified *Article 8930, T.R.C.S.* into *Texas Government Code, Chapter 472*. The Board operates under Fund 2858 which includes local funds in the Texas Treasury Safekeeping Trust Company and Fund 1009 used to pay the agency's expenditures in USAS.

TSBPA Local Scholarship Trust Fund for Fifth-Year Accounting Students (6106.7106)  
The enactment of *SB 777* allowed the Board, under the direction of the Comptroller of Public Accounts, to incorporate the Fifth-Year Accounting Scholarship Fund into Fund 0858. Additionally, *SB 777* provides for the Board to collect a \$10 annual fee from licensees to be deposited into the scholarship trust fund, which may be used only to provide scholarships to fifth-year accounting students in accordance with *Subchapter N* of the *Education Code*.

With passage of House Bill 2440 during the 2009 legislative session, responsibility for administering the TSBPA Scholarship Fund was transferred from the Texas Higher Education Coordinating Board (THECB) to the Board. Authority for the transfer went into effect on September 1, 2010. The Board worked closely with THECB to put rules and procedures in place and assumed full responsibility on January 1, 2010.

*SB 777, 82nd Legislature, Regular Session, 2011*, recreated the scholarship trust fund for fifth-year accounting students as a trust fund outside the state treasury. The TSBPA Local Scholarship Trust Fund is 6106 for funds in the Texas Treasury Safekeeping Trust Fund and Fund 7106 for payments in USAS to colleges and universities. The scholarship fund is included in the General Fund.

General funds are used to account for all financial resources except those accounted for in other funds.

Capital Asset Adjustment Fund Type

Capital Asset Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

## FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. *House Bill 11, 72nd Legislature, First Called Session, 1991*, imposed an additional annual fee of \$200 on all licensed CPAs. The Board acts as the collection agency for this fee, which is deposited into the General Revenue Fund (Fund 0001). Effective September 1, 2015, the \$200 professional fee was repealed pursuant to *HB 7, 84<sup>th</sup> Legislature, 2015*; however, TSBPA continues to collect professional fees (including penalties) owed prior to this date.

The implementation of GASB 34 requires agencies to transfer balances in agency funds - Fund Type 09 (Fiduciary Funds) to Fund Type 01 (General Funds).

## PROPRIETARY FUND TYPES

No proprietary fund types have been identified.

## COMPONENT UNITS

No component units have been identified for this agency.

**BASIS OF ACCOUNTING**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts 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 method basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both 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 60 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. 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, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

**C. BUDGETS AND BUDGETARY ACCOUNTING**

Prior to September 1, 2001, the budget was prepared biennially and represented appropriations authorized by the Legislature and approved by the Governor (the *General Appropriations Act*). Encumbrance accounting was employed for budgetary control purposes. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Currently, under *Texas Government Code, Chapter 472*, Self-Directed Semi-Independent Agencies, an itemized budget covering operations for the year is prepared by the Board's staff and approved by the Board. During the year, the Board's financial activity is monitored against this budget.

**D. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS****ASSETS**Cash Equivalents

Invested balances in the overnight repurchase agreement pool are reported as cash equivalent and identified as *Repurchase Agreement – Texas Treasury Safekeeping Trust Co.*

Cash equivalents are also short-term, highly liquid investments that are both readily convertible to cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

Pursuant to the Funds Management Agreement with the Comptroller's Office, money held in the Texas Safekeeping Trust Fund accounts and subaccounts shall be fully invested at all times and reinvested by the Trust Company in authorized investments which include any investment described under *Sections 404.024 and 404.106* of the *Texas Government Code*.

Accounts Receivable

The Board may impose direct administrative costs and an administrative penalty against respondents involved in disciplinary proceedings in accordance with *Section 901.501* and *Section 901.551, Occupations Code*. As of August 31, 2016, \$201,680.11 in direct administrative costs and penalties was outstanding and unpaid. Since the certainty and timing of these receipts is unknown, they are not included as part of Accounts Receivable on the Balance Sheet (Exhibit I). Rather, they are recorded as revenues (direct administrative costs) or transferred to General Revenue (administrative penalties) when payments are received.

Consumable Inventories

Consumable inventories include supplies and postage on hand at year-end. Inventories for governmental funds are accounted for using the purchase method of accounting. The cost of these items is recognized as an expenditure at the time of purchase. These assets are offset by a fund balance reserve which indicates that they do not constitute "available spendable resources."

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 any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. 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.

Employees' Compensable Leave

Employees' compensable leave balances represent the liability that the agency will be required to liquidate in the future for employees' annual leave, compensatory time and overtime. (See Note 5.)

**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:**Nonspendable

This represents the 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. The amount of supplies and postage on hand at year-end to be used in the next fiscal year is included in this category.

Committed

Represents fund balance that is designated for a specific function or project pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.

The Board adopted a formal policy on May 18, 2006, and revised this policy on July 19, 2007, to be effective September 1, 2007, to establish the appropriate level of the agency's fund balance to meet anticipated obligations for the following:

General Operating funds	\$ 900,000
Enforcement funds	500,000
Capital Outlay/Depreciation	<u>100,000</u>
Total Fund Balance Reserve	<u>\$1,500,000</u>

Included in this formal policy is an annual review of the reserve account.

The Board revised the fund balance reserve policy on July 17, 2014, to be effective September 1, 2014. The revised policy is based on: 1) Three months of annual operating estimated expenditures; 2) plus 25% of the annual transfer to the General Revenue Fund (currently \$703,344), and 3) a \$500,000 enforcement (litigation) reserve.

The fund balance reserve for FY 16 was \$2,044,009.

**Net Assets:**

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 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 do not meet the definition of restricted net assets. This category includes employees' compensable leave (Note 5). Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

**E. REVENUES AND EXPENDITURES**

Licenses, Fees, and Permits include the license, examination, and other fees collected by the Board.

Professional Fees and Services includes fees for the enforcement of major cases, computer programming services, and fees for financial and accounting services associated with disciplinary proceedings.

State Grant Pass-Through Expenditures includes payments to public institutions of higher education for the purpose of issuing scholarships to students needing assistance in financing a fifth year of college often necessary to meet increasing educational requirements to take the CPA Exam. See Note 1. B. for additional information.

Intergovernmental Payments includes payments to private institutions of higher education for the purpose of issuing scholarships to students needing assistance in financing a fifth year of college often necessary to meet increasing educational requirements to take the CPA Exam. See Note 1. B. for additional information.

Public Assistance Payments - In accordance with the Health & Safety Code, Chapter 467, Peer Assistance Programs, this category includes a grant to the Texas Society of Certified Public Accountants to support the Accountants Confidential Assistance Network (ACAN), a peer assistance program for CPAs, candidates, and accounting students.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Other Expenditures includes payment for the Statewide Cost Allocation Plan and for workers' compensation and risk management services.

## F. INTERFUND ACTIVITIES AND BALANCES

### TRANSFERS

Operating transfers represent routine transfers of resources. Operating transfers are reported in the Other Financing Sources (Uses) section of Exhibits II, and A-2.

#### Fund 0001

**Transfers In – None**  
**Transfers Out – None**

#### Fund 6106

**Transfers In** - includes the following:

Transfer from agency 457, Fund 7106	<u>\$80.00</u>	a
-------------------------------------	----------------	---

Total Transfers In	<u>\$80.00</u>	
--------------------	----------------	--

**Transfers Out** - includes the following:

Transfer to agency 457, Fund 7106	<u>(\$1,182,970.80)</u>	b
-----------------------------------	-------------------------	---

Total Transfers Out	<u>(\$1,182,970.80)</u>	
---------------------	-------------------------	--

#### Fund 7106

**Transfers In** - includes the following:

Transfer from agency 457, Fund 6106	<u>\$1,182,970.80</u>	b
-------------------------------------	-----------------------	---

Total Transfers In	<u>\$1,182,970.80</u>	
--------------------	-----------------------	--

**Transfers Out** - includes the following:

Transfer to agency 457, Fund 6106	<u>(\$80.00)</u>	a
-----------------------------------	------------------	---

Total Transfers Out	<u>(\$80.00)</u>	
---------------------	------------------	--

#### Fund 2858

**Transfers In** - includes the following:

Transfer from agency 457, Fund 1009	<u>\$171,698.26</u>	c
-------------------------------------	---------------------	---

Total Transfers In	<u>\$171,698.26</u>	
--------------------	---------------------	--

**Transfers Out** - includes the following:

Transfer to agency 457, Fund 1009	<u>(\$6,164,929.06)</u>	d
-----------------------------------	-------------------------	---

Total Transfers Out	<u>(\$6,164,929.06)</u>	
---------------------	-------------------------	--

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Fund 1009

**Transfers In** - includes the following:

Transfer from agency 457, Fund 2858	<u>\$6,164,929.06</u>	d
Total Transfers In	<u>\$6,164,929.06</u>	

**Transfers Out** - includes the following:

Transfer to agency 902, Fund 0001	(\$703,344.00)	e
Transfer to agency 457, Fund 2858	<u>(\$171,698.26)</u>	c
Total Transfers Out	<u>(\$875,042.26)</u>	

Total Other Financing Sources (Uses) – General Funds

Total Transfer In (EXH II, A-2)	\$7,519,678.12
Total Transfers Out (EXH II, A-2)	<u>(\$8,223,022.12)</u>
Total Other Financing Sources (Uses)	<u>(\$703,344.00)</u>

- a. Transfer refunds from Fund 7106 to Fund 6106 to allocate to appropriate revenue objects.
- b. Transfer of scholarship funds from local Fund 6106 to Fund 7106 to pay scholarship expenditures.
- c. Transfer refunds from 1009 to Fund 2858 to allocate to appropriate revenue objects and to reverse prior year due to/due from as transfer in/out under the direction of the Comptroller of Public Accounts.
- d. Transfer of funds from local Fund 2858 to Fund 1009 to pay agency expenditures and accounts payable.
- e. Transfer of annual payment to General Revenue (Agency 902, Fund 0001) pursuant to *Texas Government Code, Chapter 472*.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2016, is presented below:

<b>PRIMARY GOVERNMENT</b>								
<u>Reclassifications</u>								
	<u>Balance</u> <u>9/1/2015</u>	<u>Adjustments</u>	<u>Completed</u> <u>CIP</u>	<u>Inc-</u> <u>Int'agy</u> <u>Trans</u>	<u>Dec-</u> <u>Int'agy</u> <u>Trans</u>	<u>Additions*</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2016</u>
<b>Governmental Activities:</b>								
Depreciable Assets:								
Furniture and Equipment	\$412,102.54					53,348.40	0.00	\$465,450.94
Vehicles, Boats & Aircraft	<u>16,348.14</u>					<u>0.00</u>	<u>0.00</u>	<u>16,348.14</u>
Total Depreciable Assets at historical costs:	428,450.68					53,348.40	0.00	481,799.08
Less Accumulated Depreciation for:								
Furniture and Equipment	(298,397.48)					(41,509.30)	0.00	(339,906.78)
Vehicle, Boats & Aircraft	<u>( 16,348.14)</u>					<u>0.00</u>	<u>0.00</u>	<u>(\$16,348.14)</u>
Total Accumulated Depreciation	(314,745.62)					(41,509.30)	0.00	(356,254.92)
Depreciable Assets, Net	<u>113,705.06</u>					<u>11,839.10</u>	<u>0.00</u>	<u>125,544.16</u>
Governmental Activities Capital Assets, Net	<u>\$113,705.06</u>					<u>11,839.10</u>	<u>\$0.00</u>	<u>\$125,544.16</u>

\* The additions column represents current year purchases and depreciation.

**Business Type Activities:**

Not applicable.

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

Pursuant to the Funds Management Agreement with the Comptroller's Office, money held in the Texas Safekeeping Trust Fund accounts, and subaccounts shall be fully invested at all times and reinvested by the Trust Company in authorized investments which include any investment described under *Sections 404.024 and 404.106* of the *Texas Government Code*.

**A. DEPOSITS OF CASH IN BANK**

As of August 31, 2016, the carrying amount of deposits was \$8,209.80 as presented below:

<b>Governmental and Business-Type Activities</b>	
CASH IN BANK – CARRYING AMOUNT	
Texas Treasury Safekeeping Trust Company	\$8,209.80
Cash in Bank per AFR	\$8,209.80

Governmental Funds Current Assets Cash In Bank		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 900.00
GAAP Fund 1009, D23 Fund 2858	Exhibit A-1	\$ 7,199.80
GAAP Fund 0858, D23 Fund 6106	Exhibit A-1	\$ 110.00
Cash in Bank per AFR		<u>\$ 8,209.80</u>

**B. INVESTMENTS & REPURCHASE AGREEMENTS**

As of August 31, 2016, the net asset value and fair value of investments and repurchase agreements are as presented below:

	Net Asset Value	Fair Value
<b>Governmental and Business-Type Activities</b>		
Repurchase Agreements		
Texas Treasury Safekeeping Trust Company	\$3,971,230.80	\$3,971,230.80
Total	\$3,971,230.80	\$3,971,230.80

Governmental Funds Current Assets Cash Equivalents		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 131,501.22
GAAP Fund 1009, D23 Fund 2858	Exhibit A-1	\$3,419,671.64
GAAP Fund 0858, D23 Fund 6106	Exhibit A-1	\$ 420,057.94
Current Assets Cash Equivalents per AFR		<u>\$3,971,230.80</u>

**NOTE 4: SHORT-TERM DEBT**

Not applicable.

**NOTE 5: LONG-TERM LIABILITIES****CHANGES IN LONG-TERM LIABILITIES**

During the year ended August 31, 2016, the following changes occurred in long-term liabilities.

GOVERNMENTAL ACTIVITIES	BALANCE 9/1/2015	ADDITIONS*	REDUCTIONS	BALANCE 8/31/2016	AMOUNTS DUE WITHIN ONE YEAR
Notes and Loans Payable	N/A	N/A	N/A	N/A	N/A
General Obligation B/P	N/A	N/A	N/A	N/A	N/A
Revenue Bonds Payable	N/A	N/A	N/A	N/A	N/A
Claims and Judgments	N/A	N/A	N/A	N/A	N/A
Capital Lease Obligations	N/A	N/A	N/A	N/A	N/A
Pollution Remediation Obligations	N/A	N/A	N/A	N/A	N/A
Compensable Leave	\$354,262.97	\$238,040.79	\$242,129.66	\$350,174.10	\$185,899.66
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$354,262.97</b>	<b>\$238,040.79</b>	<b>\$242,129.66</b>	<b>\$350,174.10</b>	<b>\$185,899.66</b>

- The additions column includes salary adjustments at 9/1/15.

**NOTES AND LOANS PAYABLE**

Not applicable.

**CLAIMS AND JUDGMENTS**

Not applicable.

**EMPLOYEES' COMPENSABLE LEAVE**

A state employee is entitled to be paid for all unused vacation time accrued in the event of their resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the State for six months. The Board must either grant employees subject to the *Fair Labor Standards Act (FLSA)* time off at a rate of 1-1/2 hours for each hour of overtime worked during the twelve-month period following the date on which the overtime was accrued, or, at the discretion of the Board, pay them at a rate of 1-1/2 times the regular rate of pay.

Executive, administrative, and professional employees are expressly limited to compensatory time off, as determined by the Board, at an equivalent time rate. Expenditures for accumulated annual and compensatory leave are recognized as expenditures 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.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

The following is a summary of changes in annual and compensatory balances for the year ended August 31, 2016, which reflects employees' accrued rights to future compensated absences. Changes and balances are stated in terms of hours.

	Annual <u>Leave</u>	FLSA & State <u>Comp Time</u>	<u>Totals</u>
Compensable Leave Hours (09/01/15)	9,224.22	457.85	9,682.07
Additions	5,767.61	940.30	6,707.91
Deductions	<u>(6,278.56)</u>	<u>(1,133.00)</u>	<u>(7,411.56)</u>
Compensable Leave Hours (08/31/16)	<u>8,713.27</u>	<u>265.15</u>	<u>8,978.42</u>

NOTE: FLSA hours accumulated are 1 1/2 times hours worked. Deductions include hours adjustment at 8/31/16.

The Board's monetary liabilities for compensable future absences as of August 31, 2016, as computed by USPS Report 574 (Compensable Leave Report for Fiscal Year 2016), were as follows:

	General Long-Term Debt <u>Account Group</u>
Annual Leave	\$338,642.34
FLSA & State Compensable Time	<u>11,531.76</u>
Total	<u>\$350,174.10</u> (Exhibit I)

**NOTE 6: BONDED INDEBTEDNESS**

Not applicable.

**NOTE 7: DERIVATIVE INSTRUMENTS**

Not applicable.

**NOTE 8: LEASES**

Included in the expenditures reported in the financial statements are the following amounts of lease payments made or due under operating lease obligations for copier/reproduction equipment:

Fund Type	Amount
<b>General Fund</b>	\$19,669.50

---



---

 TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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

**Year End Aug. 31,**

2017 (Future Year 3)	19,606.80
2018 (Future Year 4)	19,606.80
2019 (Future Year 5)	<u>19,606.80</u>
Total Minimum Future Lease Payments	<u>\$ 58,820.40</u>

**NOTE 9: PENSION PLANS**

The state has joint contributory retirement plans for substantially all of its employees. The Board participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each state agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

**NOTE 10: DEFERRED COMPENSATION**

Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The state's 457 plan complies with the *Internal Revenue Code, Section 457*. GASB Statement No. 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement No. 2 and amends GASB Statement No. 31. GASB Statement No. 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of *Internal Revenue Code Section 457*, established reporting requirements for *IRC Section 457* plans.

The state also administers another plan, "Texasaver," which was created in accordance with *Internal Revenue Code, Section 401(k)*. However, the assets of this plan do not belong to the state nor does the state have a liability related to this plan.

**NOTE 11: POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Not applicable.

**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

This information is reported on the *USAS and Interagency Transaction Certification Form* filed with the Comptroller's Office (see Note 1F for transfer activity).

Due From/To activity as of August 31, 2016, follows:

Due From/Due To Other Agencies	Due From Other Agencies	Due To Other Agencies	Source
GENERAL (01)			
Appd Fund 0001, D23 Fund 1002			
To Agency 902, D23 Fund 0001		\$136,351.22	A
<b>Total Due From/To Other Agencies (EXH. I)</b>		<b>\$136,351.22</b>	

<sup>A</sup> Professional Fees collected and held by agency at year-end as either Cash on Hand or Current Assets, Cash Equivalents. Due To reported by this agency, and Due From reported by Comptroller's Office (Agency 902).

Due From/Due To Other Funds	Due From Other Funds	Due To Other Funds	Source
GENERAL (01)			
Appd Fund 1009, D23 Fund 1009			
From Agency 457, D23 Fund 2858	\$180,830.62		B
Appd Fund 9999, D23 Fund 2858			
To Agency 457, D23 Fund 1009		\$180,830.62	B
<b>Total Due From/To Other Funds (EXH. I)</b>	<b>\$180,830.62</b>	<b>\$180,830.62</b>	

<sup>B</sup> Due From/To Other Funds consists of local funds in the Texas Treasury Safekeeping Trust Company owed to the Board operating fund in USAS.

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

The *Texas Sunset Act* requires that all state agencies be reviewed every 12 years to determine whether they provide essential services to the citizens of Texas and should continue operations. In 2003, the Board was continued as a separate agency of Texas state government.

Under the *Texas Sunset Act*, the Board will be abolished effective September 1, 2019, unless legislatively continued. If abolished, the Board may continue until September 1, 2020, to close out its operations. This information may be verified with the Sunset Review Commission at (512) 463-1300.

**NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS**

Not applicable.

**NOTE 15: CONTINGENCIES AND COMMITMENTS**

Sick leave, the accumulation of which is unlimited, is earned at the rate of 8 hours per month, and is taken only in the event of illness or paid to the estate of an employee in the event of their death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. Such payments are recognized as expenditures of governmental funds when paid. The contingent liability for future compensation of sick leave, based on accumulated sick leave balances as of August 31, 2016, was not considered material in relation to the Board's total financial position.

**NOTE 16: SUBSEQUENT EVENTS**

Not applicable.

**NOTE 17: RISK MANAGEMENT**

Not applicable.

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

*Senate Bill 1438* was passed and signed into law in 1999, and then was codified into *Article 8930, T.R.C.S.*, the *Self-Directed Semi-Independent Project Act*. *Senate Bill 736, 77th Legislature, Regular Session (2001)*, resolved conflicts with other laws and the agency became self-directed, semi-independent, effective September 1, 2001 (FY 2002). The Board and two similar agencies were the focus of this pilot program to test the concept of deregulating regulatory agencies in order to enhance their efficiency. Effective September 1, 2013, *HB 1685, 83<sup>rd</sup> Legislature, Regular Session, (2013)*, codified *Article 8930, T.R.C.S.* into Texas Government Code, Chapter 472.

Some of the basic points of the Self-Directed Semi-Independent status are:

- Reinvent government. Under this plan, regulatory agencies would be accountable to their stakeholders and charged with operating as a business.
- The Governor continues to appoint Board members and to designate the Board's presiding officer.
- The regulatory agency establishes the fees charged to cover all costs of its operations.
- Licensees (clients) continue to pay the costs of regulation.
- Sovereign immunity remains intact for enforcement and disciplinary functions.
- An agency under the program remains subject to the *Open Meetings Act* and the *Public Information Act*.
- Regulatory agencies in the project are removed from the cost of state government (appropriations).
- Agencies continue to be audited by the Office of the State Auditor and pay the associated costs.
- Oversight agencies such as the Legislative Budget Board and the Governor's Office of Budget and Planning are relieved of budget oversight responsibilities and associated costs.
- Licensees (clients) become directly involved in evaluating the cost of operating the agency.

---

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

- The state budget size is reduced.
- The number of state employees on the state payroll is reduced.

As discussed in Note 1, *SB 777, 82nd Legislature (2011)* recreated the scholarship trust fund for fifth-year accounting students as a trust fund outside the state treasury. Additionally, *SB 777* provides for the Board to collect a \$10 annual fee from licensees to be deposited into the scholarship trust fund which may only be used to provide scholarships to fifth-year accounting students in accordance with *Subchapter N* of the *Education Code*.

**NOTE 19: THE FINANCIAL REPORTING ENTITY**

No component units have been identified for this agency.

**NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Not applicable.

**NOTE 21: N/A**

Note 21 is not applicable to the AFR reporting requirements process.

**NOTE 22: DONOR RESTRICTED ENDOWMENTS**

Not applicable.

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

Not applicable.

**NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**A. TAXES RECEIVABLE**

Not applicable.

**B. FEDERAL RECEIVABLE**

Not applicable.

**C. TAX REFUNDS PAYABLE**

Not applicable.

**D. OTHER RECEIVABLES – NONCURRENT**

Not applicable.

**E. OTHER PAYABLES – CURRENT**

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

**NOTE 25: TERMINATION BENEFITS**

**A. VOLUNTARY TERMINATIONS**

Not applicable.

**B. INVOLUNTARY TERMINATIONS**

Not applicable.

**NOTE 26: SEGMENT INFORMATION**

Not applicable.

**NOTE 27: SERVICE CONCESSION ARRANGEMENTS**

Not applicable.

**NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Not applicable.

**NOTE 29: TROUBLED DEBT RESTRUCTURING**

Not applicable.

**NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES**

Not applicable.

III. COMBINING STATEMENTS  
AND  
SCHEDULES

**Texas State Board of Public Accountancy (457)**  
**Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds**  
 August 31, 2016

	General			Total (EXH I)
	(1000) U/F(1002)	(0858) U/F(6106/7106)	(1009) U/F (2858/1009)	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 3,950.00	\$ 310.00	\$ 21,664.20	\$ 25,924.20
Cash in Bank (Note 3)	900.00	110.00	7,199.80	8,209.80
Cash in State Treasury			395,692.45	395,692.45
Cash Equivalents (Note 3)	131,501.22	420,057.94	3,419,671.64	3,971,230.80
Short Term Investments				
Due From Other Funds (Note 12)			180,830.62	180,830.62
Consumable Inventories			76,118.56	76,118.56
<b>Total Current Assets</b>	<b>136,351.22</b>	<b>420,477.94</b>	<b>4,101,177.27</b>	<b>4,658,006.43</b>
Non-Current Assets:				
Restricted:				
Cash and Cash Equivalents:				
Other Non-Current Assets				
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 136,351.22</b>	<b>420,477.94</b>	<b>4,101,177.27</b>	<b>4,658,006.43</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable			120,547.93	120,547.93
Accounts Payable			181,380.62	181,380.62
Payroll Payable			275,144.52	275,144.52
Due To Other Agencies (Note 12)	136,351.22			136,351.22
Due To Other Funds (Note 12)			180,830.62	180,830.62
<b>Total Current Liabilities</b>	<b>136,351.22</b>	<b>-</b>	<b>757,903.69</b>	<b>894,254.91</b>
Non-Current Liabilities:				
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>136,351.22</b>	<b>-</b>	<b>757,903.69</b>	<b>894,254.91</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Deficits):				
Nonspendable				
			76,118.56	76,118.56
Committed:				
Board Policy Reserve (See Note 1.D)			2,044,009.00	2,044,009.00
Other		420,477.94	1,223,146.02	1,643,623.96
<b>Total Fund Balances</b>	<b>-</b>	<b>420,477.94</b>	<b>3,343,273.58</b>	<b>3,763,751.52</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 136,351.22</b>	<b>420,477.94</b>	<b>4,101,177.27</b>	<b>4,658,006.43</b>

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

**Texas State Board of Public Accountancy (457)**  
**Exhibit A-2 - Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – All General and Consolidated Funds**  
For the Fiscal Year Ended August 31, 2016

	General		Total (EXH II)
	(0858) U/F (6106/7106)	(1009) U/F (2858/1009)	
<b>REVENUES</b>			
License, Fees & Permits	669,521.11	6,671,984.14	7,341,505.25
Interest and Investment Income	588.68	5,143.28	5,731.96
Sales of Goods and Services	-	-	-
Other	4,015.00	204,838.01	208,853.01
<b>Total Revenues</b>	<b>674,124.79</b>	<b>6,881,965.43</b>	<b>7,556,090.22</b>
<b>EXPENDITURES</b>			
Salaries and Wages	-	2,584,443.40	2,584,443.40
Payroll Related Costs	-	824,400.55	824,400.55
Professional Fees and Services	-	780,123.24	780,123.24
Travel	-	55,551.22	55,551.22
Materials and Supplies	-	179,772.54	179,772.54
Communication and Utilities	-	32,752.04	32,752.04
Repairs and Maintenance	-	100,174.47	100,174.47
Rentals and Leases	-	141,425.67	141,425.67
Printing and Reproduction	-	36,309.98	36,309.98
Claims and Judgments	-	-	-
State Grant Pass-Through	778,300.00	-	778,300.00
Intergovernmental Payments	404,590.80	-	404,590.80
Public Assistance Payments	-	107,500.00	107,500.00
Other Expenditures	-	382,861.79	382,861.79
Capital Outlay	-	53,348.40	53,348.40
Depreciation Expense	-	-	-
<b>Total Expenditures/Expenses</b>	<b>1,182,890.80</b>	<b>5,278,663.30</b>	<b>6,461,554.10</b>
Excess (Deficiency) of Revenues Over Expenditures	(508,766.01)	1,603,302.13	1,094,536.12
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	-	-	-
Transfers In (Note 1.F.)	1,183,050.80	6,336,627.32	7,519,678.12
Transfers Out (Note 1.F.)	(1,183,050.80)	(7,039,971.32)	(8,223,022.12)
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>(703,344.00)</b>	<b>(703,344.00)</b>
<b>SPECIAL ITEMS</b>			
-			
<b>EXTRAORDINARY ITEMS</b>			
-			
Net Change in Fund Balances/Net Assets	(508,766.01)	899,958.13	391,192.12
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>			
Fund Balances, Beginning	929,243.95	2,443,315.45	3,372,559.40
Adjustment to Fund Balances (Restatement) Note 14	-	-	-
Fund Balances, September 1, 2015	929,243.95	2,443,315.45	3,372,559.40
-			
Fund Balances, August 31, 2016	420,477.94	3,343,273.58	3,763,751.52

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

Texas State Board of Public Accountancy (457)  
 Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -  
 Agency Funds  
 August 31, 2016

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance August 31, 2016
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund (1000) U/F (0002)</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	2,839,708.28	2,839,708.28	-
Short Term Investments	-	-	-	-
Interfund Receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 2,839,708.28</b>	<b>\$ 2,839,708.28</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ 891.00	\$ 891.00	\$ -
Funds Held for Others	-	2,839,708.28	2,839,708.28	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,840,599.28</b>	<b>\$ 2,840,599.28</b>	<b>\$ -</b>
<b>Texasaver Hold-Transmit 401K (0942) U/F (0942)</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	-	-	-
Accounts Receivable, net	-	13,575.04	13,575.04	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 13,575.04</b>	<b>\$ 13,575.04</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	-	13,575.04	13,575.04	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 13,575.04</b>	<b>\$ 13,575.04</b>	<b>\$ -</b>
<b>Direct Deposit Correction Acct (0980) U/F (0980)</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	4,267.00	4,267.00	-
Accounts Receivable, net	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 4,267.00</b>	<b>\$ 4,267.00</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	-	4,267.00	4,267.00	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 4,267.00</b>	<b>\$ 4,267.00</b>	<b>\$ -</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	2,843,975.28	2,843,975.28	-
Short Term Investments	-	-	-	-
Accounts Receivable, net	-	13,575.04	13,575.04	-
Interfund Receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 2,857,550.32</b>	<b>\$ 2,857,550.32</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ 891.00	\$ 891.00	\$ -
Funds Held for Others	-	2,857,550.32	2,857,550.32	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,858,441.32</b>	<b>\$ 2,858,441.32</b>	<b>\$ -</b>

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

This page intentionally left blank.

**Texas State Board of Public Accountancy (457)**  
**Schedule 1-B - Schedule of State Grant Pass-Throughs**  
**From/To State Agencies**  
**For the Fiscal Year Ended August 31, 2016**

**State Pass-Through Grants To:**

**Scholarships for Fifth-Year Accounting Students**

711	Texas A&M University	\$	75,098.00
714	University of Texas at Arlington		11,750.00
715	Prairie View A&M University		21,000.00
717	Texas Southern University		15,000.00
721	University of Texas at Austin		82,563.00
724	University of Texas at El Paso		36,567.00
730	University of Houston		142,915.00
731	Texas Woman's University		6,000.00
733	Texas Tech University		47,539.00
734	Lamar University		2,500.00
735	Midwestern State University		3,918.00
737	Angelo State University		12,875.00
738	University of Texas at Dallas		69,000.00
742	University of Texas at Permian Basin		8,000.00
743	University of Texas at San Antonio		17,500.00
746	University of Texas at Rio Grande Valley		18,445.00
749	Texas A&M University - San Antonio		9,000.00
750	University of Texas at Tyler		7,500.00
751	Texas A&M University - Commerce		6,000.00
752	University of North Texas		27,000.00
753	Sam Houston State University		19,811.00
754	Texas State University		71,384.00
755	Stephen F. Austin State University		26,435.00
757	West Texas A&M University		7,500.00
759	University of Houston - Clear Lake		12,000.00
761	Texas A&M International University		12,000.00
765	University of Houston - Victoria		4,000.00
770	Texas A&M University - Central Texas		2,000.00
784	University of Houston - Downtown		3,000.00
<b>Total State Pass-Through Grants To Other Agencies (Exh. II)</b>			<b>\$ 778,300.00</b>

Texas State Board of Public Accountancy (457)  
 Schedule 4 - Schedule of Modified to Full Accrual Adjustments - Governmental Funds  
 - Balance Sheet/Statement of Net Assets  
 August 31, 2016

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents				
Cash On Hand	\$ 25,924.20	\$ -	\$ -	\$ 25,924.20
Cash In Bank (Note 3)	8,209.80			8,209.80
Cash In State Treasury	395,692.45			395,692.45
Cash Equivalents (Note 3)	3,971,230.80			3,971,230.80
Short Term Investments				-
Due From Other Funds (Note 12)	180,830.62			180,830.62
Consumable Inventories	76,118.56			76,118.56
Total Current Assets	<u>\$ 4,658,006.43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,658,006.43</u>
Non-Current Assets:				
Interfund Receivables				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment		465,450.94		465,450.94
Less Accumulated Depreciation		(339,906.78)		(339,906.78)
Vehicle, Boats and Aircraft		16,348.14		16,348.14
Less Accumulated Depreciation		(16,348.14)		(16,348.14)
Total Non-Current Assets	<u>\$ -</u>	<u>\$ 125,544.16</u>	<u>\$ -</u>	<u>\$ 125,544.16</u>
Total Assets	<u>\$ 4,658,006.43</u>	<u>\$ 125,544.16</u>	<u>\$ -</u>	<u>\$ 4,783,550.59</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Current Liabilities:				
Payables From				
Vouchers	120,547.93			120,547.93
Accounts	181,380.62			181,380.62
Payroll	275,144.52			275,144.52
Due To Other Agencies (Note 12)	136,351.22			136,351.22
Due To Other Funds (Note 12)	180,830.62			180,830.62
Employees' Compensable Leave (Note 5)			185,899.66	185,899.66
Total Current Liabilities	<u>\$ 894,254.91</u>	<u>\$ -</u>	<u>\$ 185,899.66</u>	<u>\$ 1,080,154.57</u>
Non-Current Liabilities				
Employees' Compensable Leave (Note 5)	-		164,274.44	164,274.44
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,274.44</u>	<u>\$ 164,274.44</u>
Total Liabilities	<u>\$ 894,254.91</u>	<u>\$ -</u>	<u>\$ 350,174.10</u>	<u>\$ 1,244,429.01</u>
<b>Fund Financial Statement</b>				
Fund Balances (Deficits):				
Nonspendable	\$ 76,118.56			\$ 76,118.56
Committed:				
Board Policy Reserve (See Note 1.D)	2,044,009.00			2,044,009.00
Other	1,643,623.96			1,643,623.96
Total Fund Balances	<u>3,763,751.52</u>			<u>3,763,751.52</u>
Total Liabilities and Fund Balances	<u>\$ 4,658,006.43</u>			
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt		125,544.16		125,544.16
Unrestricted			(350,174.10)	(350,174.10)
Total Net Assets		<u>\$ 125,544.16</u>	<u>\$ (350,174.10)</u>	<u>\$ 3,539,121.58</u>

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

**Texas State Board of Public Accountancy (457)**  
**Schedule 4 - Schedule of Modified to Full Accrual Adjustments - Governmental Funds**  
**- Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**  
**For the Fiscal Year Ended August 31, 2016**

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
<b>REVENUES</b>				
License, Fees & Permits	\$ 7,341,505.25			\$ 7,341,505.25
Interest and Other Investment Income	5,731.96			5,731.96
Sales of Goods and Services				-
Other	208,853.01			208,853.01
Total Revenues	<u>\$ 7,556,090.22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,556,090.22</u>
<b>EXPENDITURES</b>				
Salaries and Wages	2,584,443.40		(4,088.87)	2,580,354.53
Payroll Related Costs	824,400.55			824,400.55
Professional Fees and Services	780,123.24			780,123.24
Travel	55,551.22			55,551.22
Materials and Supplies	179,772.54			179,772.54
Communication and Utilities	32,752.04			32,752.04
Repairs and Maintenance	100,174.47			100,174.47
Rentals and Leases	141,425.67			141,425.67
Printing and Reproduction	36,309.98			36,309.98
Claims and Judgments	-			-
State Grant Pass-Through Expenditures	778,300.00			778,300.00
Intergovernmental Payments	404,590.80			404,590.80
Public Assistance Payments	107,500.00			107,500.00
Other Expenditures	382,861.79			382,861.79
Capital Outlay	53,348.40	(53,348.40)		-
Depreciation Expense	-	41,509.30		41,509.30
Total Expenditures/Expenses	<u>\$ 6,461,554.10</u>	<u>\$ (11,839.10)</u>	<u>\$ (4,088.87)</u>	<u>\$ 6,445,626.13</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 1,094,536.12</u>	<u>\$ 11,839.10</u>	<u>\$ 4,088.87</u>	<u>\$ 1,110,464.09</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Decrease in Net Assets - Property Adjustment				-
Transfers In (Note 1.F.)	7,519,678.12			7,519,678.12
Transfers Out (Note 1.F.)	(8,223,022.12)			(8,223,022.12)
Gain (Loss) on Disposal of Capital Assets				-
Total Other Financing Sources (Uses)	<u>\$ (703,344.00)</u>	<u>-</u>	<u>-</u>	<u>\$ (703,344.00)</u>
<b>SPECIAL ITEMS</b>				
<b>EXTRAORDINARY ITEMS</b>				
Net Change in Fund Balances/Net Assets	<u>\$ 391,192.12</u>			<u>\$ 407,120.09</u>
<b>Fund Financial Statement - Fund Balances</b>				
Fund Balances, Beginning	\$ 3,372,559.40			\$ 3,372,559.40
Adjustment to Fund Balances (Restatement) Note 14	-			-
Fund Balances, September 1, 2015, As Adjusted	<u>\$ 3,372,559.40</u>			<u>\$ 3,372,559.40</u>
Fund Balances, August 31, 2016	<u>\$ 3,763,751.52</u>			<u>\$ 3,779,679.49</u>
<b>Government-Wide Statement of Net Assets</b>				
Net Assets/Net Change in Net Assets	\$ 3,763,751.52	11,839.10	4,088.87	\$ 3,779,679.49
Net Assets, Beginning		113,705.06	(354,262.97)	(240,557.91)
Restatements				-
Net Assets, September 1, 2015, as Restated		<u>113,705.06</u>	<u>(354,262.97)</u>	<u>(240,557.91)</u>
Net Assets as of August 31, 2016		<u>\$ 125,544.16</u>	<u>\$ (350,174.10)</u>	<u>\$ 3,539,121.58</u>

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

This page intentionally left blank.

#### IV. ADDENDA

## TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ADDENDAORGANIZATION OF THE BOARD

The Texas State Board of Public Accountancy (the Board) operates under the authority of the *Public Accountancy Act (the Act)*, Chapter 901 of the *Texas Occupations Code (West 2015)*. The Act provides for 15 Board members appointed by the Governor, with the advice and consent of the Senate, for six-year overlapping terms. Appointments expire on January 31 of odd-numbered years. Board members are required to be citizens of the United States and residents of Texas.

The Act provides that 10 members shall be Certified Public Accountants (CPAs), at least eight of whom shall be sole practitioners or owners or employees of firms engaged in public practice on the date of their appointment to the Board. Five members shall be public member representatives who are not CPAs and who are not financially involved in an organization subject to Board regulation.

Members of the Board may receive \$30 per diem for each day on which the member conducts Board business. The Board, by rule, may determine activities that constitute Board business. In addition, members are reimbursed for actual and necessary expenses incurred in discharging their official duties. (NOTE: Meals and lodging expenses are reimbursable up to the maximum amounts per day as determined by the General Services Administration's [GSA] federal travel rates for both in-state and out-of-state travel.)

Members of the Board as of August 31, 2016, were:

NAME	RESIDENCE	TERM EXPIRES JANUARY 31,
J. Coalter Baker, CPA, Presiding Officer	Austin	2017
Donna J. Hugly, CPA, Assistant Presiding Officer	Addison	2019
Robert M. "Bob" McAdams, CPA, Treasurer	San Antonio	2019
Steve D. Peña, CPA, Secretary	Georgetown	2019
Rocky L. Duckworth, CPA, Executive Committee Member	Houston	2017
William "Bill" Lawrence, Executive Committee Member	Highland Village	2019
John R. Broaddus, CPA	El Paso	2017
Jonathan B. Cluck, Esq.	Fair Oaks Ranch	2017
Susan Fletcher	Frisco	2019
Ross T. Johnson, CPA	Houston	2021
Timothy L. "Tim" LaFrey, Esq., CPA	Austin	2021
Roselyn "Rosie" Morris, PhD, CPA	San Marcos	2021
Benjamin "Ben" Peña, CPA, CFE	Brownsville	2021
Kimberly E. Wilkerson, Esq.	Lubbock	2021
Phillip W. Worley	Hebbronville	2017

---

---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)****FUNCTIONS OF THE BOARD**

The Board has the responsibility and authority to regulate the practice of public accountancy in Texas. This is accomplished through the following means:

**LICENSING AND QUALIFICATIONS**

**Evaluation** - Under *Section 901.252* of the *Act*, the Board evaluates the education and moral character of individuals who desire to take the Uniform CPA Examination. The evaluation is completed throughout the year, and applicants are informed of education deficiencies that need to be completed before applying to take the examination.

**Qualifications** - The Board, in conjunction with the American Institute of Certified Public Accountants (AICPA), the National Association of State Boards of Accountancy (NASBA) and Prometric, offers the Uniform CPA Examination on a year-round basis at various testing centers throughout the state. Only applicants who are determined by the Board as eligible to test may schedule and take the CPA Examination. Eligibility is reassessed with each application submitted to the Board.

**Certification** - The Board certifies:

- Applicants who have passed all sections of the Uniform CPA Examination in Texas and have met all other statutory requirements under *Section 901.252* of the *Act* for the CPA certificate in Texas;
- Applicants who have passed all sections of the Uniform CPA Examination in another jurisdiction and transferred those sections to Texas under *Section 901.258* of the *Act* and have met all other statutory requirements under *Section 901.252* of the *Act* for the CPA certificate in Texas; and
- Individuals licensed as CPAs in other jurisdictions who wish to practice public accountancy in Texas and receive a Texas CPA certificate under *Section 901.259* of the *Public Accountancy Act (Certification Based On Reciprocity)*.

**Registration** - The Board requires registration of the following entities:

- professional corporations, partnerships, limited liability companies, limited liability partnerships, and sole proprietorships engaged in the practice of public accountancy; and
- individuals qualifying under *Section 901.355* of the *Act*.

**Licensure** - The following individuals and entities must be licensed by the Board in order to lawfully practice public accountancy in Texas:

- CPAs;
- public accountants;
- individuals registered under *Section 901.355* of the *Act*; and
- offices: professional corporations, partnerships, professional limited liability companies (PLLC), registered professional limited liability partnerships (PLLP), and sole proprietorships engaged in the practice of public accountancy.

**Continuing Professional Education (CPE)** - CPAs are required to comply with the Board's program of mandatory CPE. Licensees are required to meet CPE requirements to ensure that persons who hold a certificate have met the current standards of the profession. CPE is intended to help ensure that licensees are able to serve the public in a competent manner. CPE requirements also ensure that CPAs remain knowledgeable of current accounting methods and maintain technical competence.

---

---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**

The Board offers online services for individual licensees to enter CPE courses at any time to satisfy the annual CPE requirement. Each licensee's CPE report is reviewed to determine if the course taken was a Board-approved course. CPAs must also take a four hour, Board-approved ethics course every two years. These combined efforts have resulted in a decrease in complaints and enforcement actions.

**Sponsor Review Program** - The sponsor review program is charged with ensuring that CPE sponsors are in compliance with the Board's rules for the purpose of enhancing the professional competence of licensees. The program monitors Board registered CPE sponsors and their courses with the goal of emphasizing high-quality education and compliance with professional standards. Every sponsor has a representative sample of their courses reviewed every three years.

**Peer Review** - The Board has issued rules governing peer review and has implemented a program whereby the work product of persons or firms practicing public accountancy is measured for adherence to quality control standards adopted by practitioners and the profession. This includes monitoring CPAs' compliance with applicable accounting, auditing and other attestation standards. The program may include education, remediation, disciplinary sanctions or other corrective action where reporting does not comply with professional or regulatory standards. Firms subject to peer review are reviewed every three years.

**ENFORCEMENT**

When a licensee violates statutory provisions related to the practice of public accountancy or the *Rules of Professional Conduct*, the Board has the authority to revoke a certificate, suspend a license, refuse to renew a license or registration, or take other disciplinary action. In addition, the Board has the authority to enforce specific statutory prohibitions against practicing or offering to practice public accountancy without a valid license.

**PUBLIC EDUCATION**

The Board operates a coordinated system of public information to provide all interested parties with information concerning the *Public Accountancy Act*, as well as Board rules and procedures pertaining to qualification, examination, licensing, enforcement, and peer review. The Board's audiences may include, but are not limited to, current and potential licensees and exam candidates, the Texas state government, the general public, and other U.S. and worldwide accountancy organizations and agencies.

The Board's communications are a planned and sustained effort to establish and maintain goodwill and understanding between the organization and its constituents. The Board uses communications to anticipate and address public opinion, and issues that might impact the administration of the *Act*. This is accomplished through a variety of media channels, including the Board's website, email blasts, press releases, public notices, meeting minutes, social media, and publications, such as the *Texas State Board Report*, the agency's *Strategic Plan*, NASBA's *EDigital* newsletter, and the *Candidate Chronicle*.

**SCHOLARSHIPS FOR FIFTH-YEAR ACCOUNTING STUDENTS**

The Texas Legislature passed House Bill 2440 (81<sup>st</sup> Legislature R.S. 2009) and SB 777 (82<sup>nd</sup> Legislature R.S. 2011) transferring administration of the accounting scholarship trust fund for fifth-year accounting students from the Texas Higher Education Coordinating Board (THECB) to the Board. The funds are derived from a \$10 fee (also legislatively mandated) that is added to each Texas CPA's annual license renewal.

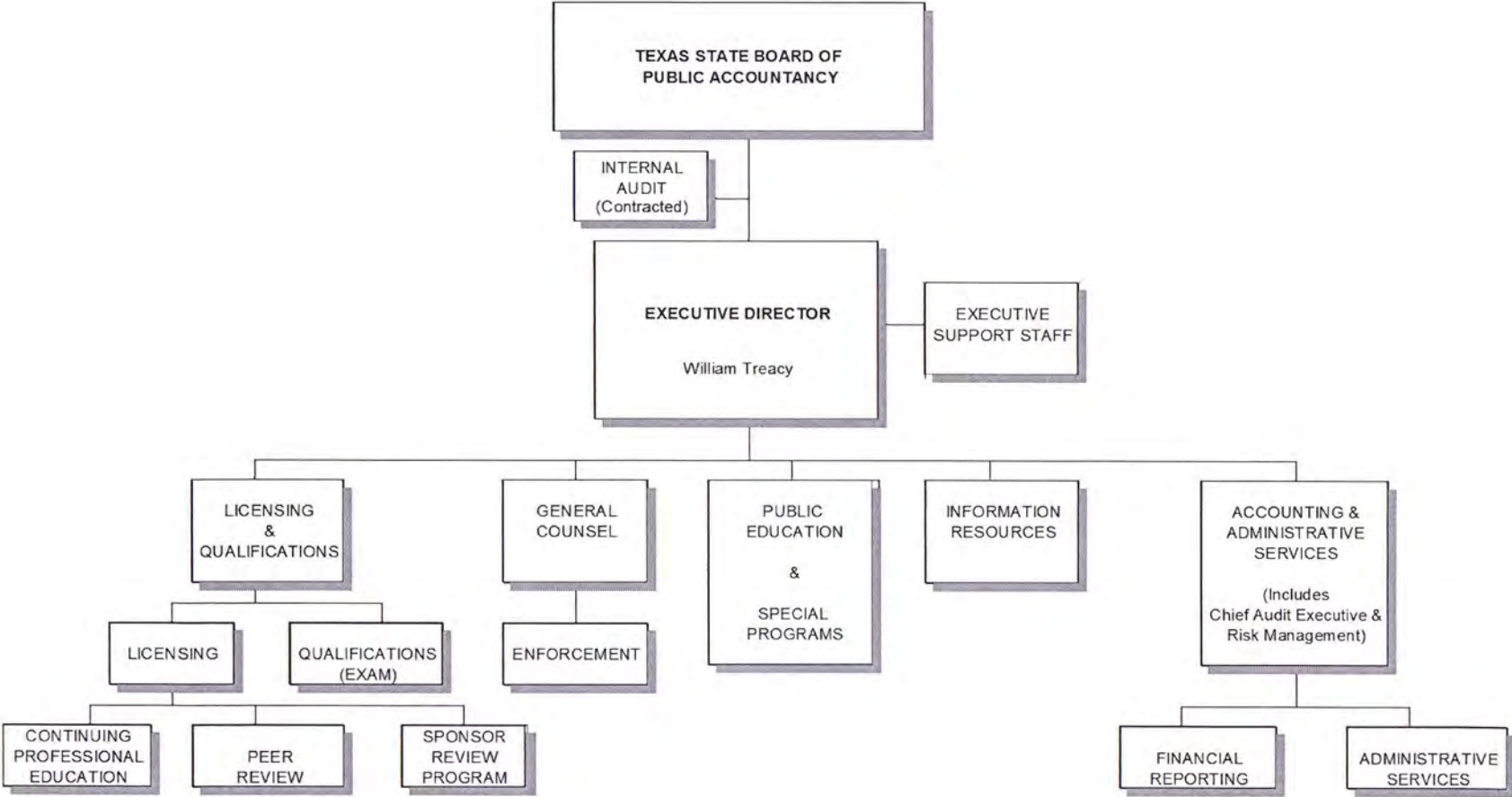
**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**

The fifth-year scholarships were established in 1991 to aid disadvantaged students needing assistance in financing a fifth year of college often necessary to meet increasing educational requirements to take the CPA Exam. Funds are allocated to Texas colleges and universities, whose financial aid offices make the decisions on providing scholarships to individual students.

The Board passed *Rule 519.8* which provides for the transfer of administrative penalties collected under *SUBCHAPTER L* of the *Public Accountancy Act* to the scholarship fund authorized under *SUBCHAPTER N* of the *Act*. The funds were to provide financial assistance to students intending to take the exam.

The Texas Legislature passed House Bill 1685 (83<sup>rd</sup> Legislature R.S. 2013) which provides in *Texas Government Code, Section 472.110 (d)* that all administrative penalties collected shall be deposited in the general revenue fund, effective September 1, 2013.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY  
ORGANIZATION CHART



---



---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**
**LIST OF BONDED EMPLOYEES**

During the year, the Board had in force a surety bond covering all employees through the Garrett Abney Company in the amount of \$300,000. The following employees were covered as of August 31, 2016.

EMPLOYED AS OF AUGUST 31, 2016

Gabriel Amaya	Legal Assistant I
Bryce Beasley	Program Specialist I
Paulette Beiter	Attorney IV
Sandra Bradshaw	Inspector IV
Josephine Briones	Administrative Assistant III
Roel Cantu	Program Supervisor III
Ismael Castillo, Jr.	Executive Assistant II
Delia Castro	Program Specialist I
Shadia Conn	Accountant III
Jennifer Costilla	Inspector III
Karen Davis	Director II
Patrick Doré	Administrative Assistant III
Tiffney Duncan	Program Specialist II
Rhonda Fellner	Administrative Assistant III
Edwin Fitzgerald	Attorney IV
Jackie Frazier	Manager III
Gilbert Gutierrez	Program Specialist II
Alan Hermanson	Dir. of Administrative Services/CFO
Jerry Hill	General Counsel IV
Donna Hiller	Director I
Jean Ickes	Program Specialist III
Joseph Jaffe	Investigator I
Betty Lackey	Administrative Assistant II
Maria Lagunas	Staff Services Officer IV
Marissa Mahoney	Investigator II
Kyle McGaw	Director I
Kenny Pettitte	Program Specialist I
Julie Prien	Information Specialist III
Marisa Rios	Legal Assistant II
Anthony Sanchez	Inspector IV
April Serrano	Program Specialist III
Margie Sheehan	Administrative Assistant II
Andrea Smith	Program Specialist I
Jon Smith	Systems Analyst V
Tina Smith	Program Specialist II
William Treacy	Executive Director
Cherylyn Turner	Inspector III
Aisha Vaz	Accountant II
Margaret Warpenburg	Systems Analyst V
Daniel Weaver	Director I

## TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

STATISTICAL INFORMATIONREGISTRATION AND LICENSURE**Current Statistics**

The number of licenses issued by the Board in fiscal years 2015 and 2016 were as follows:

	<u>AUGUST 31,</u>	
	<u>2015</u>	<u>2016</u>
Certified Public Accountants	72,099	73,260
Public Accountants	3	3
Offices	10,115	10,113
Other States/Foreign Countries	<u>56</u>	<u>56</u>
Total Licenses	<u>82,273</u>	<u>83,432</u>

The number of firms practicing public accountancy in Texas at the end of fiscal years 2015 and 2016 were as follows:

	<u>AUGUST 31,</u>	
	<u>2015</u>	<u>2016</u>
Corporations	3,906	4,045
Partnerships	568	541
Sole Proprietorships	<u>5,284</u>	<u>5,160</u>
Total Firms*	<u>9,758</u>	<u>9,746</u>

\*The total number of firms does not equal the number of offices because some firms have more than one office.

The number of individuals certified or registered by the Board in fiscal years 2015 and 2016 were as follows:

	<u>AUGUST 31,</u>	
	<u>2015</u>	<u>2016</u>
CPA Certifications	1,763	1,875
Reciprocity	<u>593</u>	<u>663</u>
Total Certifications and Registrations	<u>2,356</u>	<u>2,538</u>

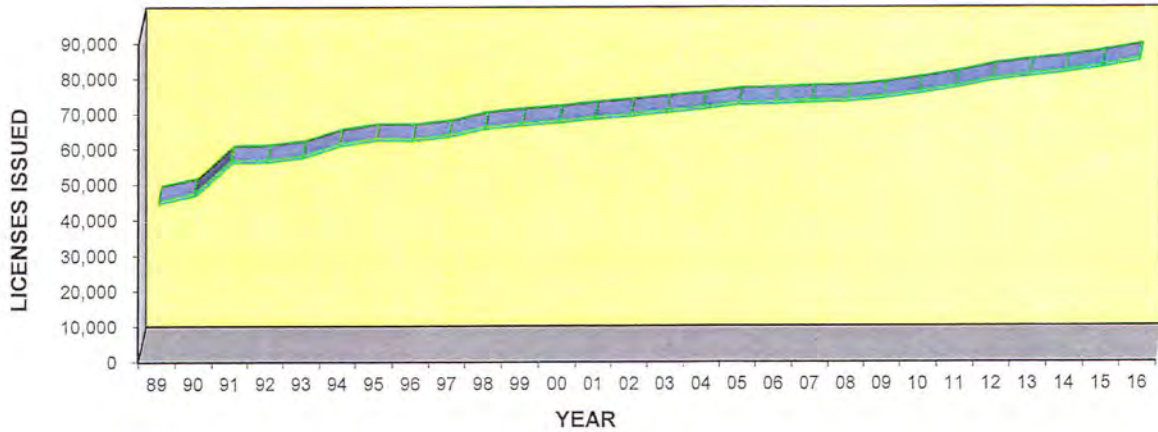
**Statistical Trends**

As shown in Table I, the number of licensees governed by the Board has increased by 88%, from 44,347 in 1989 to 83,432 in 2016. Note that between 1989 and 1990, the number of licensees increased by 20%. In 1990, the Board began licensing each office for all Texas firms and required sole proprietorships to be licensed.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE I

LICENSES ISSUED FROM 1989 TO 2016



<u>YEAR</u>	<u>TOTAL LICENSES</u>	<u>INCREASE OVER PREVIOUS YEAR</u>
1989	44,347	5.33%
1990	53,478	20.59%
1991	53,706	0.43%
1992	54,952	2.32%
1993	58,235	5.97%
1994	59,787	2.67%
1995	59,668	-0.20%
1996	60,785	1.87%
1997	63,091	3.79%
1998	64,105	1.61%
1999	64,874	1.20%
2000	65,932	1.63%
2001	66,719	1.19%
2002	67,763	1.56%
2003	68,651	1.31%
2004	69,857	1.76%
2005	70,081	0.32%
2006	70,577	0.71%
2007	70,798	0.31%
2008	71,715	1.30%
2009	73,116	1.95%
2010	74,720	2.19%
2011	76,791	2.77%
2012	77,976	1.54%
2013	79,094	1.43%
2014	80,506	1.79%
2015	82,273	2.19%
2016	83,432	1.41%

---



---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**
**QUALIFICATIONS****Current Statistics**

The following table indicates the number of candidates who sat for the Uniform CPA Examination during the last two fiscal years. The counts are shown by four 2-month testing windows.

	CPA EXAM TESTING WINDOWS							
	FY 15				FY 16			
	JUL/ AUG <u>2015</u>	APR/ MAY <u>2015</u>	JAN/ FEB <u>2015</u>	OCT/ NOV <u>2014</u>	JUL/ AUG <u>2016</u>	APR/ MAY <u>2016</u>	JAN/ FEB <u>2016</u>	OCT/ NOV <u>2015</u>
Total Successful Candidates *	275	738	326	445	311	726	332	487
Total Unsuccessful Candidates	<u>2,913</u>	<u>2,054</u>	<u>2,360</u>	<u>2,411</u>	<u>3,790</u>	<u>4,076</u>	<u>2,608</u>	<u>2,520</u>
Total Candidates sitting for the Examination	<u>3,188</u>	<u>2,792</u>	<u>2,686</u>	<u>2,856</u>	<u>4,101</u>	<u>4,802</u>	<u>2,940</u>	<u>3,007</u>

\* Candidates who are classified as "Successful Candidates" are those who received credit during the testing window for any remaining sections of the exam required for certification. These candidates may have passed two or more sections of the examination in a previous testing window. Candidates who are classified as "Unsuccessful Candidates" have not passed all of the sections of the examination required for certification by the end of the testing window. (A candidate must pass four sections of the examination to be certified.)

Individuals Examined differ from the amount reported in the Performance Measure Reports and the Annual Financial Reports. The difference relates to the amounts reported in the AFR are derived from the agency website which reports individuals examined by testing window as opposed to the Performance Reports which are based on fiscal year quarters.

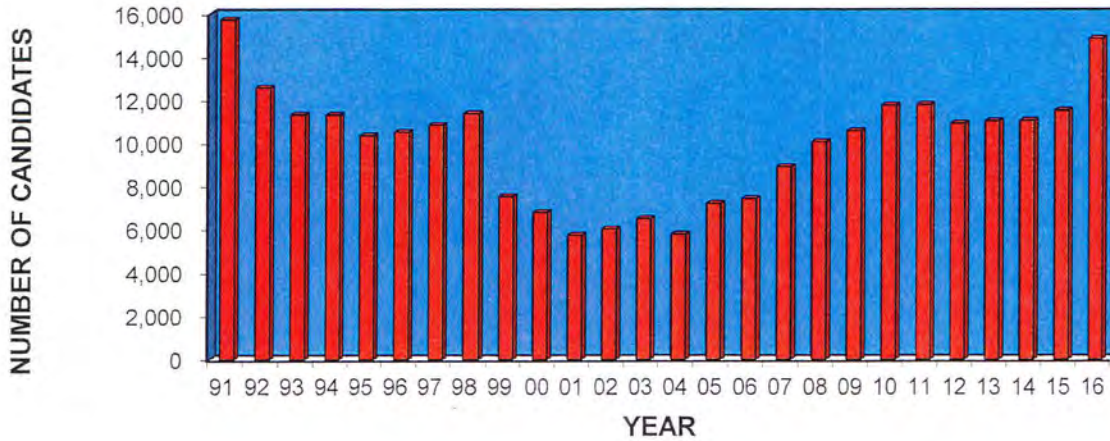
**Candidates Sitting for the CPA Exam**

A candidate can be counted in multiple testing windows during a fiscal year. The number of examination candidates increased from 11,522 in 2015 to 14,850 in 2016. (See Table II) The increase in the number of candidates sitting for the CPA Exam is attributed to candidates choosing to take the exam prior to the April 1, 2017 launch of the next version of the Uniform CPA Examination.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE II

CANDIDATES TAKING THE CPA EXAM  
FROM 1991 TO 2016



<u>YEAR</u>	<u>CANDIDATES TESTING</u>	<u>CHANGE FROM PREVIOUS YEAR</u>
1991	15,728	-3.33%
1992	12,570	-20.08%
1993	11,317	-9.97%
1994	11,305	-0.11%
1995	10,344	-8.50%
1996	10,509	1.60%
1997	10,841	3.16%
1998	11,365	4.83%
1999	7,528	-33.76%
2000	6,790	-9.80%
2001	5,719	-15.77%
2002	6,017	5.21%
2003	6,497	7.98%
2004	5,763	-11.30%
2005	7,198	24.90%
2006	7,421	3.10%
2007	8,909	20.05%
2008	10,056	12.87%
2009	10,578	5.19%
2010	11,743	11.01%
2011	11,775	0.27%
2012	10,922	-7.24%
2013	11,044	1.12%
2014	11,059	0.14%
2015	11,522	4.19%
2016	14,850	28.88%

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

**ENFORCEMENT**

**COMPLAINTS OPENED**

During this period, the Board issued 6 Cease and Desist Orders against individuals who were misrepresenting themselves to be accountants or offered services that misled the public into believing they were licensed by the Board.

Also during this period, the Executive Committee of the Board did not conduct any emergency suspension hearings.

From September 1, 2015 through August 31, 2016, the Board opened 2,834 investigative files against licensees and non-licensees alleged to be in violation of the *Public Accountancy Act*. Of those complaints, 1,348 remained open at year end. The pending cases consist of 1,040 administrative complaints and 308 disciplinary complaints. All 308 disciplinary complaints will require committee and Board review.

Complaints originated from the following sources:

*Note: Some licensees may have more than one complaint filed, therefore the total complaints opened do not equate to the total of sources.*

FEDERAL AGENCIES	STATE AGENCIES	OTHER
Securities and Exchange Commission 13	0	0
Public Company Accounting Oversight Board 10	0	0
US DOL 5	0	0

**COMPLAINTS CLOSED**

From September 1, 2015 through August 31, 2016, the Board closed 2,849 complaints. The average time to close a complaint during fiscal year 2016 was 4.94 months. The disposition of these complaints is presented in the following chart:

DISPOSITION	NUMBER OF COMPLAINTS CLOSED
<b>Administrative Complaints:</b>	
Voluntary Compliance	2,005
Dismissed	96
Revoked	222
Suspension	116
Public Reprimand	-
Other	6
Limited Scope	12
Probation	-
Total Administrative Complaints	<u>2,457</u>
<b>Disciplinary Complaints:</b>	
Voluntary Compliance	195
Dismissed	84
Revoked (Includes involuntary surrender)	16
Suspension	9
Public Reprimand	40
Other	43
Limited Scope	5
Probation	-
Total Disciplinary Complaints	<u>392</u>
<b>Total</b>	<u>2,849</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

The complaints closed in fiscal year 2016 contained alleged and actual violations set forth in the chart below. Many complaints contained more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
501.60	Auditing Standards	17	0	3	0	11.75
501.61	Accounting Principles	8	0	0	0	7.40
501.62	Other Professional Standards	4	0	2	0	9.83
501.70	Independence	7	0	0	0	7.38
501.73	Integrity and Objectivity	10	0	0	0	8.90
501.73(b)	Integrity and Objectivity - Conflict of Interest	3	0	0	0	2.60
501.74	Competence	24	0	12	0	8.64
501.74(b)	Due Professional Care	84	0	13	0	6.07
501.74(d)	Maintaining Appropriate Documentation	2	0	2	0	6.33
501.75	Confidential Client Communications	8	0	0	0	3.03
501.76	Records and Work Papers	53	0	8	0	5.79
501.76(c)	Records and Work Papers-Furnishing Records	2	0	0	0	5.16
501.77	Acting Through Others	3	0	2	0	5.41
501.78	Withdrawal or Resignation	4	0	0	0	7.91
501.80	Practice of Public Accountancy	0	4	0	0	8.83
501.81	Firm License Requirements	0	127	0	98	4.13
501.82	Advertising	5	0	0	0	9.15
501.83	Firm Names	15	0	14	0	7.64
501.84	Form of Practice	0	2	0	0	6.06
501.85	Complaint Notice	3	0	0	0	3.26
501.90	Discreditable Acts:	19	0	0	0	5.52
501.90 (2)	dishonesty, fraud or gross negligence in the practice of public accountancy	25	0	6	0	8.66
501.90 (4)	final conviction of a felony or imposition of deferred adjudication or community supervision	5	0	4	0	10.93
501.90 (5)	final conviction of a crime or imposition of deferred adjudication or community supervision	4	0	1	0	7.76
501.90 (7)	suspension or revocation of or any consent decree concerning the right to practice before any state or federal regulatory or licensing body for a cause which in the opinion of the board warrants	7	0	7	0	13.65
501.90 (8)	a conviction or final finding of unethical conduct by state or federal agencies or boards, local governments or commissions for violations of laws or rules on ethics by licensees that engage in activities regulated by those entities	6	0	1	0	16.37
501.90 (9)	knowingly participating in the preparation of a false or misleading financial statement or tax	11	0	0	0	7.58
Subtotal, Rule Violations		329	133	75	98	

(continued on next page)

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2016.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2016, with this being one of the rules actually violated.

Column E is the average amount of time that it took to close all of the investigative files that were closed during this fiscal year, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule that was violated.

Zeros occur in column C when there were no complaints closed during FY 2016 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2016 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

(continued)

The complaints closed in fiscal year 2016 contained alleged and actual violations set forth in the chart below. Many complaints contained more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
501.90 (10)	fiscal dishonesty or breach of fiduciary responsibility of any type	11	0	2	0	3.68
501.90 (11)	failure to comply with a final order of any state or federal court	14	0	2	0	10.18
501.90 (12)	repeated failure to respond to a client's inquiry within a reasonable time without good cause	47	0	16	0	7.88
501.90 (13)	intentionally misrepresenting facts or making a misleading or deceitful statement to a client, the board, board staff or any person acting on behalf of the board	3	0	1	0	19.78
501.90 (15)	threats of bodily harm or retribution to a client	2	0	0	0	5.46
501.90 (17)	voluntarily disclosing information communicated to the person by an employer, past or present, or through the person's employment in connection with accounting services rendered to the employer	9	0	6	0	11.08
501.90 (18)	breaching the terms of an agreed consent order entered by the board or violating any Board Order	4	0	0	0	14.06
501.91	Reportable Events	1	0	1	0	8.23
501.91(a)(1)(A)	Reportable Events - Felony	1	0	1	0	32.10
501.91 (d)	Reportable Events - Conviction	1	0	1	0	32.10
501.93	Responses	0	23	0	19	13.33
501.93 (b)	Responses - Documentation/Work Papers	1	0	0	0	4.23
501.94	Mandatory CPE	0	1,859	0	116	5.01
515.3	Failure to Complete License Renewal	0	125	0	8	4.94
515.8	Retired or Disability Status	1	0	1	0	3.83
527.4	Enrollment and Participation in Peer Review	0	12	0	11	13.93
527.5	Successive Deficient Reviews	0	17	0	16	9.93
Subtotal, Rule Violations		95	2,036	31	170	
Total, Rule Violations		424	2,169	106	268	

(continued on next page)

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2016.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2016, with this being one of the rules actually violated.

Column E is the average amount of time that it took to close all of the investigative files that were closed during this fiscal year, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule that was violated.

Zeros occur in column C when there were no complaints closed during FY 2016 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2016 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS  
(continued)

The chart below includes alleged and actual violations of the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
901.351	Firm License	0	98	0	69	5.02
901.451	Use of CPA Designation	57	0	42	0	6.44
901.453	Use of Accountant or Auditor Restricted	166	0	154	0	3.33
901.454	Title Used by Certain Out-of State or Foreign Accountants	2	0	2	0	0.43
901.456	Reports on Financial Statements	17	0	12	0	5.52
901.502 (10)	Final Conviction	5	0	4	0	10.93
901.502 (11)	Lack of fitness to serve the public as a professional accountant	100	0	30	0	8.99
901.502 (12)	Other Rule or Order Violation	29	0	21	0	10.82
901.502 (12) (Vi)	901.502(12) (VIOLATION)	1	0	0	0	16.46
901.502 (2)	Dishonesty, Fraud, Gross Negligence: Services	2	0	0	0	34.73
901.502 (2)(B)	Failure to File License Holder's Own Taxes	3	0	1	0	12.28
901.502 (3), (4)	3 Year No Pay	0	342	0	212	4.98
901.502 (6)	Violation of Rule of Professional Conduct	181	0	69	0	7.52
901.52(12)	901.52(12)	1	0	1	0	39.96
Total, <i>Public Accountancy Act</i> violations		564	440	336	281	
GRAND TOTAL VIOLATIONS		988	2,609	442	549	

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2016.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2016, with this being one of the rules actually violated. Column E is the average amount of time that it took to close all of the investigative files that were closed during this fiscal year, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule that was violated.

Zeros occur in column C when there were no complaints closed during FY 2016 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2016 that had this alleged violation as an actual violation.

---



---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**
**COLLECTIONS****LICENSES, FEES, AND PERMITS**

The Board collects fees for examination, certification, registration and licensure. The Board determines the actual fees to be charged, as follows:

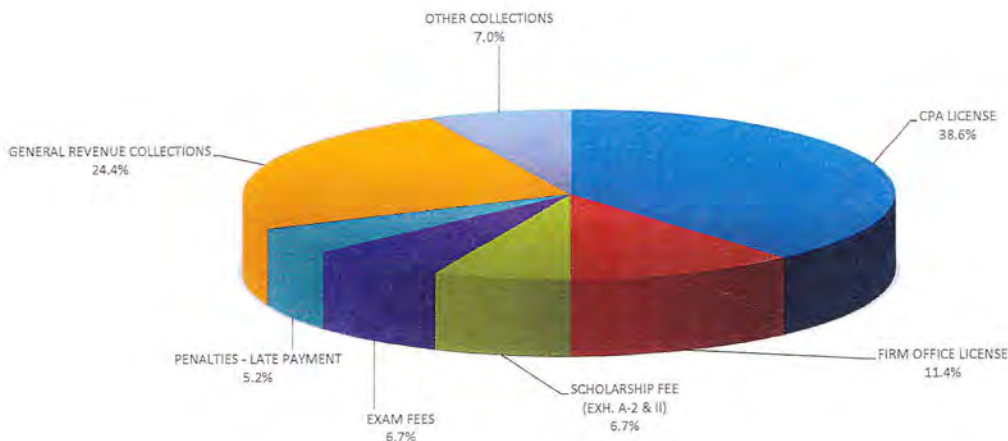
	<u>STATUTORY MAXIMUM</u>	<u>ACTUAL</u>	
		<u>FY 16</u>	<u>FY 17</u>
<u>CPA Examination Fees:</u>			
Application of Intent	\$100	\$60	\$20
Eligibility fee – per part		\$20	\$10
 <u>License Fees:</u>			
Individual license	\$125	\$56	\$56
Scholarship	\$10	\$10	\$10
Firm Office License	\$200	\$60	\$50
 <u>Other Fees:</u>			
Reciprocal registration	\$250	\$100	\$100
CPA certificate fee	\$50	\$50	\$50
Transfer of Credit - Application of Intent	\$100	\$100	\$100
 <u>Sponsor Review Fees:</u>			
<u>No. of Course Titles Offered:</u>			
1-10		\$400	\$400
11-40		\$750	\$750
41+		\$1,250	\$1,250

The Board collected approximately \$10 million during fiscal year 2016. Table III presents these collections by type, providing percentages of specific fees to total funds collected.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE III

FUNDS COLLECTED BY TYPE  
For the Fiscal Year Ended August 31, 2016



	FY 2016		FY 2015	
CPA LICENSE	\$ 3,859,297.35	38.6%	\$ 3,143,345.19	15.8%
FIRM OFFICE LICENSE	1,138,348.61	11.4%	739,680.42	3.7%
SCHOLARSHIP FEE (EXH. A-2 & II)	674,124.79	6.7%	661,985.80	3.3%
EXAM FEES	670,850.00	6.7%	555,915.00	2.8%
PENALTIES - LATE PAYMENT	515,665.40	5.2%	602,914.50	3.0%
GENERAL REVENUE COLLECTIONS	2,445,084.93	24.4%	13,578,660.67	68.0%
OTHER COLLECTIONS	697,804.07	7.0%	684,336.80	3.4%
<b>TOTAL FUNDS COLLECTED</b>	<b>\$10,001,175.15</b>	<b>100.0%</b>	<b>\$19,966,838.38</b>	<b>100.0%</b>

Description of Funds Collected:

General Revenue Collections include the following:

Professional Fees (\$200) (Including penalties) (Effective September 1, 2015, the \$200 professional fee was repealed pursuant to HB 7, 84th Legislature, 2015.)	\$ 616,223.91	\$ 12,629,065.43	See Note 1 - Agency Funds
Administrative and CPE Penalties collected from enforcement related actions	1,828,861.02	\$949,595.24	
<b>Total General Revenue Collections</b>	<b>\$ 2,445,084.93</b>	<b>\$ 13,578,660.67</b>	

Total General Revenue Collections does not include interest of \$4,860.11 earned in the Texas Treasury Safekeeping Trust Company in FY 16 and \$3,978.14 in FY 15.

Excluding Funds Collected for General Revenue:

Fund 2858: TSBPA Operating Trust Fund	\$ 6,881,965.43	\$5,726,191.91	
Fund 6106: TSBPA Scholarship Fund	674,124.79	661,985.80	See Note 1 B
Reference Exhibits II and A-2.	<b>\$ 7,556,090.22</b>	<b>\$ 6,388,177.71</b>	

---

---

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)****EXPENDITURES****BY ACTIVITY**

For the fiscal year ended August 31, 2016, the total expenditures of the Board were approximately \$6.4 million, as shown in Table IV and Exhibit A-2.

Administration includes executive support staff, information resources, accounting, administrative services, and Board member expenditures.

**BY OBJECT OF EXPENDITURE**

Table V represents expenditures by object.

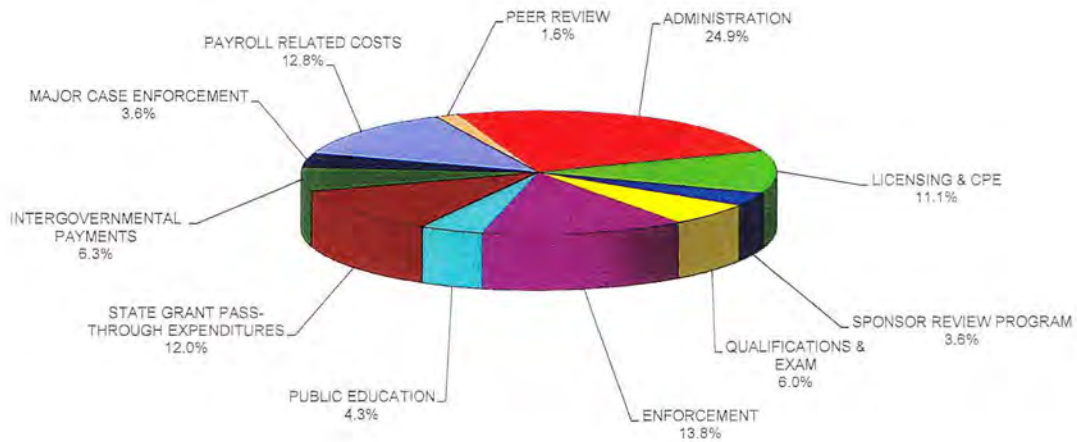
The Board's expenditures for Salaries and Payroll Related Costs were 52.8% of total expenditures, which is typical of a service-oriented organization.

The next largest expenditure groups in fiscal year 2016 were for State Grant Pass-Through Expenditures and Intergovernmental Payments. This includes Fifth-Year Accounting Scholarships paid to colleges and universities. Professional Fees expenditure category entails expert witness fees and legal services. Other Expenditures includes payment for the Statewide Cost Allocation Plan, workers' compensation, and risk management services. Materials and Supplies include postage and consumables.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE IV  
EXPENDITURES BY ACTIVITY

For the Fiscal Year Ended August 31, 2016



	FY 2016		FY 2015	
LICENSING AND CPE	\$719,529.09	11.1%	\$963,233.75	15.3%
SPONSOR REVIEW PROGRAM (SRP)	231,193.72	3.6%	233,783.06	3.7%
QUALIFICATIONS & EXAM	385,529.81	6.0%	357,120.97	5.6%
ENFORCEMENT	890,345.87	13.8%	673,117.98	10.7%
MAJOR CASE ENFORCEMENT	238,669.57	3.6%	283,436.70	4.4%
PUBLIC EDUCATION	279,360.34	4.3%	323,460.90	5.1%
STATE GRANT PASS-THROUGH EXPENDITURES	778,300.00	12.0%	805,869.00	12.8%
INTERGOVERNMENTAL PAYMENTS	404,590.80	6.3%	323,606.00	5.1%
PAYROLL RELATED COSTS	824,400.55	12.8%	749,958.50	11.9%
PEER REVIEW	101,627.74	1.6%	99,433.69	1.6%
ADMINISTRATION	1,808,006.61	24.9%	1,499,889.96	23.8%
<b>TOTAL EXPENDITURES</b>	<b>\$6,461,554.10</b>	<b>100.0%</b>	<b>\$6,312,910.51</b>	<b>100.0%</b>

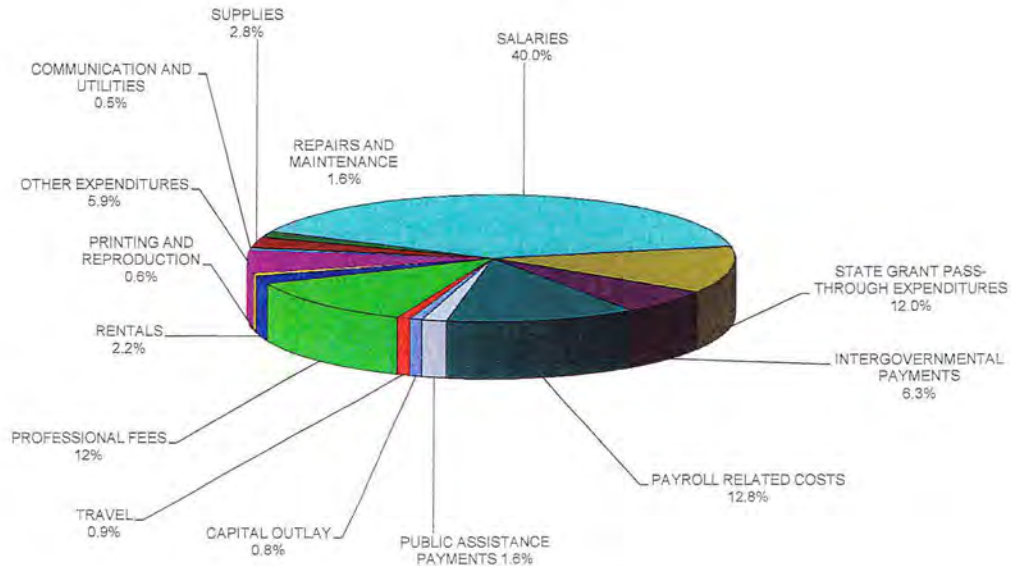
(Exhibit II)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE V

EXPENDITURES BY OBJECT

For the Fiscal Year Ended August 31, 2016



	FY 2016		FY 2015	
SALARIES AND WAGES	\$2,584,443.40	40.0%	\$2,532,422.26	40.1%
PAYROLL RELATED COSTS	824,400.55	12.8%	749,958.50	11.9%
PROFESSIONAL FEES AND SERVICES	780,123.24	12.0%	592,481.69	9.3%
TRAVEL	55,551.22	0.9%	79,711.63	1.3%
MATERIALS AND SUPPLIES	179,772.54	2.8%	213,428.20	3.4%
RENTALS AND LEASES	141,425.67	2.2%	192,278.39	3.0%
PRINTING AND REPRODUCTION	36,309.98	0.6%	80,703.43	1.3%
REPAIRS AND MAINTENANCE	100,174.47	1.6%	49,109.31	0.8%
COMMUNICATION AND UTILITIES	32,752.04	0.5%	31,421.30	0.5%
STATE GRANT PASS-THROUGH EXPENDITURES	778,300.00	12.0%	805,869.00	12.8%
INTERGOVERNMENTAL PAYMENTS	404,590.80	6.3%	323,606.00	5.1%
OTHER EXPENDITURES	382,861.79	5.9%	534,645.70	8.5%
PEER ASSISTANCE PAYMENTS	107,500.00	1.6%	107,500.00	1.7%
CAPITAL OUTLAY	53,348.40	0.8%	19,775.10	0.3%
<b>TOTAL EXPENDITURES</b>	<b>\$6,461,554.10</b>	<b>100.0%</b>	<b>\$6,312,910.51</b>	<b>100.0%</b>

(Exhibit II)

This page intentionally left blank.