

TSBPA



Texas State Board of
Public Accountancy

Annual Financial Report

For the Fiscal Year Ended August 31, 2021

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2021

WILLIAM TREACY
EXECUTIVE DIRECTOR

Prepared by: Alan L. Hermanson, CPA
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**TEXAS STATE BOARD
of PUBLIC ACCOUNTANCY**

William Treacy, Executive Director

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November 20, 2021

Honorable Greg Abbott, Governor
Honorable Dan Patrick, Lieutenant Governor
Honorable Dade Phelan, Speaker of the House
Honorable Glenn Hegar, State Comptroller
Jerry McGinty II, Executive 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, 2021, 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 (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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

Sincerely,

TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY

WILLIAM TREACY
Executive Director

Enclosure

xc: Legislative Reference Library
Texas State Library

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2021

MEMBERS OF THE BOARD (As of August 31, 2021)

Manuel "Manny" Cavazos IV, Esq., CPA, Presiding Officer.....	Manor
Lisa A. Friel, CPA, Assistant Presiding Officer.....	San Antonio
Kevin J. Koch, CPA, Treasurer.....	Temple
James D. "Jim" Ingram IV, CPA., Secretary.....	College Station
Jamie D. Grant, Executive Committee Member-at-large.....	Arlington
Debra D. Seefeld, CPA, Executive Committee Member-at-large.....	Montgomery
Debra S. Sharp, Executive Committee Member-at-large.....	Houston
Susan I. Adams, CPA.....	Colleyville
Olivia Espinoza-Riley, CPA.....	Addison
Renee D. Foshee, Esq., CPA.....	San Marcos
Ray R. Garcia, CPA.....	Houston
Jill A. Holup.....	Austin
Jeannette P. Smith, CPA.....	Mission
Sheila M. Vallés-Pankratz.....	Mission
(one vacant position)	

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Austin, Texas

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I. COMBINED FINANCIAL STATEMENTS

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- 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
-
-

UNAUDITED

Texas State Board of Public Accountancy (457)

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

August 31, 2021

	Governmental Fund Types				Statement of Net Position
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 20,803.60	\$ 20,803.60			\$ 20,803.60
Cash in Bank (Note 3)	5,743.16	5,743.16			5,743.16
Cash in State Treasury	315,935.95	315,935.95			315,935.95
Cash Equivalents (Note 3)	6,975,069.45	6,975,069.45			6,975,069.45
Accounts Receivable (Note 1)	38,973.12	38,973.12			38,973.12
Due From Other Funds (Note 12)	93,138.77	93,138.77			93,138.77
Total Current Assets	<u>7,449,664.05</u>	<u>7,449,664.05</u>	-	-	<u>7,449,664.05</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable					
Furniture and Equipment			\$ 214,610.80		\$ 214,610.80
Less Accumulated Depreciation			(184,420.97)		(184,420.97)
Vehicles, Boats, and Aircraft			16,348.14		16,348.14
Less Accumulated Depreciation			(16,348.14)		(16,348.14)
Total Non-Current Assets	-	-	<u>30,189.83</u>	-	<u>30,189.83</u>
Total Assets	<u>\$ 7,449,664.05</u>	<u>\$ 7,449,664.05</u>	<u>\$ 30,189.83</u>	<u>\$ -</u>	<u>\$ 7,479,853.88</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	\$ -	\$ -			\$ -
Accounts Payable	93,459.77	93,459.77			93,459.77
Payroll Payable	315,935.95	315,935.95			315,935.95
Due To Other Agencies (Note 12)	75,034.29	75,034.29			75,034.29
Due To Other Funds (Note 12)	93,138.77	93,138.77			93,138.77
Employees' Compensable Leave (Note 5)	-	-		258,771.62	258,771.62
Total Current Liabilities	<u>577,568.78</u>	<u>577,568.78</u>	-	<u>258,771.62</u>	<u>836,340.40</u>
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	-	-		215,484.44	215,484.44
Total Non-Current Liabilities	-	-	-	<u>215,484.44</u>	<u>215,484.44</u>
Total Liabilities	<u>577,568.78</u>	<u>577,568.78</u>	-	<u>474,256.06</u>	<u>1,051,824.84</u>
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable					
Committed:	-	-			-
Board Policy Reserve (See Note 1.D)	2,556,740.00	2,556,740.00			2,556,740.00
Other	4,315,355.27	4,315,355.27			4,315,355.27
Total Fund Balances	<u>6,872,095.27</u> *	<u>6,872,095.27</u> *	-	-	<u>6,872,095.27</u>
Total Liabilities and Fund Balances	<u>\$ 7,449,664.05</u>	<u>\$ 7,449,664.05</u>			
GOVERNMENT-WIDE STATEMENT OF NET POSITION					
Net Position:					
Net Investment in Capital Assets,					
Net of Related Debt					
Unrestricted			30,189.83		30,189.83
Total Net Position			<u>\$ 30,189.83</u> *	<u>\$(474,256.06)</u>	<u>\$ 6,428,029.04</u> *

* Column totals should agree to Exhibit II column totals.

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

UNAUDITED

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, 2021

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Federal Grant Pass-Through Revenue (GR)	\$ 15,863.04	\$ 15,863.04			\$ 15,863.04
License, Fees & Permits	7,319,158.37	7,319,158.37			7,319,158.37
Interest and Investment Income	985.60	985.60			985.60
Sales of Goods and Services	-	-			-
Other	67,440.67	67,440.67			67,440.67
Total Revenues	7,403,447.68	7,403,447.68	-	-	7,403,447.68
EXPENDITURES					
Salaries and Wages	2,824,585.35	2,824,585.35		53,282.55	2,877,867.90
Payroll Related Costs	920,722.09	920,722.09			920,722.09
Professional Fees and Services	202,516.52	202,516.52			202,516.52
Travel	289.12	289.12			289.12
Materials and Supplies	179,108.49	179,108.49			179,108.49
Communication and Utilities	56,491.22	56,491.22			56,491.22
Repairs and Maintenance	66,181.10	66,181.10			66,181.10
Rentals & Leases	324,438.12	324,438.12			324,438.12
Printing and Reproduction	52,870.37	52,870.37			52,870.37
State Grant Pass-Through	373,238.66	373,238.66			373,238.66
Intergovernmental Payments	151,157.00	151,157.00			151,157.00
Public Assistance Payments	107,500.00	107,500.00			107,500.00
Other Expenditures	428,410.49	428,410.49			428,410.49
Capital Outlay	5,646.49	5,646.49	(5,646.49)		-
Depreciation Expense	-	-	(101,907.52)		(101,907.52)
Total Expenditures/Expenses	5,693,155.02	5,693,155.02	(107,554.01)	53,282.55	5,638,883.56
Excess (Deficiency) of Revenues Over Expenditures	1,710,292.66	1,710,292.66	107,554.01	(53,282.55)	1,764,564.12
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	136.16	136.16			136.16
Decrease in Net Assets - Property Adjustment			(108,331.39)		(108,331.39)
Transfers In (Note 1.F.)	7,124,266.73	7,124,266.73			7,124,266.73
Transfers Out (Note 1.F.)	(7,827,746.89)	(7,827,746.89)			(7,827,746.89)
Gain (Loss) on Sale of Capital Assets					-
Total Other Financing Sources and Uses	(703,344.00)	(703,344.00)	(108,331.39)	-	(811,675.39)
SPECIAL ITEMS					
	-	-			-
EXTRAORDINARY ITEMS					
	-	-			-
Net Change in Fund Balances/Net Position	1,006,948.66	1,006,948.66			952,888.73
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances, Beginning	5,865,146.61	5,865,146.61			5,865,146.61
Fund Balances, September 1, 2020, As Adjusted	5,865,146.61	5,865,146.61			5,865,146.61
Fund Balances, August 31, 2021	<u>\$ 6,872,095.27</u>	<u>* \$ 6,872,095.27 *</u>			<u>\$ 6,818,035.34</u>
GOVERNMENT-WIDE STATEMENT OF NET POSITION					
Net Assets/Change in Net Position		6,872,095.27	(777.38)	(53,282.55)	6,818,035.34
Net Position-Beginning			30,967.21	(420,973.51)	(390,006.30)
Restatements (Note 14)					-
Net Position, September 1, 2020, as Restated			<u>30,967.21</u>	<u>(420,973.51)</u>	<u>(390,006.30)</u>
Net Position, August 31, 2021			<u>\$ 30,189.83</u>	<u>* \$ (474,256.06) *</u>	<u>\$ 6,428,029.04 *</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

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*. 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, 83rd 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.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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, Chapter 901, Occupations 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, 2009. 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, 84th 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 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.

Basis conversion fund types convert modified accrued basis to full accrued basis 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.

TSBPA Office Relocation

The Texas State Board of Public Accountancy was notified by the Texas Facilities Commission (TFC) that TSBPA needed to relocate by the end of fiscal year 2020. The TFC informed the agency that our space in the William P. Hobby building was needed for another state agency that was expanded as a result of the 2019 legislative session. (Also reference Note 8: LEASES and Note 18: MANAGEMENT DISCUSSION AND ANALYSIS (MD&A).

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, 2021, \$42,714 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. A receivable was recorded in the amount of \$38,973.12 as TSBPA was owed for DIR circuit charges and a security deposit in accordance with our lease agreement.

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 POSITION

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:

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 May 17, 2018, to be effective September 1, 2018. The revised policy is based on: 1) Three months of annual operating estimated expenditures; 2) plus 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 21 was \$2,556,740.

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.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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.

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 - includes the following:

Transfer to agency 902, Fund 0001	(\$136.16)	a
Total Transfers Out	<u>(\$136.16)</u>	

Fund 6106

Transfers In - includes the following:

Transfer from agency 457, Fund 7106	\$322.50	b
Total Transfers In	<u>\$322.50</u>	

Transfers Out - includes the following:

Transfer to agency 457, Fund 7106	(\$524,718.16)	c
Total Transfers Out	<u>(\$524,718.16)</u>	

Fund 7106

Transfers In - includes the following:

Transfer from agency 457, Fund 6106	\$524,718.16	c
Total Transfers In	<u>\$524,718.16</u>	

Transfers Out - includes the following:

Transfer to agency 457, Fund 6106	(\$322.50)	b
Total Transfers Out	<u>(\$322.50)</u>	

Fund 2858

Transfers In - includes the following:

Transfer from agency 457, Fund 1009	\$352,013.08	d
Total Transfers In	<u>\$352,013.08</u>	

Transfers Out - includes the following:

Transfer to agency 457, Fund 1009	(\$6,247,212.99)	e
Total Transfers Out	<u>(\$6,247,212.99)</u>	

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Fund 1009

Transfers In - includes the following:

Transfer from agency 457, Fund 2858	<u>\$6,247,212.99</u>	e
Total Transfers In	<u>\$6,247,212.99</u>	

Transfers Out - includes the following:

Transfer to agency 902, Fund 0001	(\$703,344.00)	f
Transfer to agency 457, Fund 2858	<u>(\$1,352,013.08)</u>	d
Total Transfers Out	<u>(\$1,055,357.08)</u>	

Total Other Financing Sources (Uses) – General Funds

Total Sale of Capital Assets (EXH II, A-2)	\$136.16
Total Transfer In (EXH II, A-2)	\$7,124,266.73
Total Transfers Out (EXH II, A-2)	<u>(\$7,827,746.89)</u>
Total Other Financing Sources (Uses)	<u>(\$703,344.00)</u>

- a. Cash transfer between agencies for sale of equipment (swept by the Comptroller).
- b. Transfer refunds from Fund 7106 to Fund 6106 to allocate to appropriate revenue objects.
- c. Transfer of scholarship funds from local Fund 6106 to Fund 7106 to pay scholarship expenditures.
- d. 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.
- e. Transfer of funds from local Fund 2858 to Fund 1009 to pay agency expenditures and accounts payable.
- f. 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, 2021, is presented below:

	PRIMARY GOVERNMENT							<u>Balance 8/31/2021</u>
	<u>Balance 9/1/2020</u>	<u>Adjustments</u>	<u>Completed CIP</u>	<u>Reclassifications</u>		<u>Additions*</u>	<u>Deletions</u>	
				<u>Inc- Int'agy Trans</u>	<u>Dec- Int'agy Trans</u>			
Governmental Activities:								
Depreciable Assets:								
Furniture and Equipment	\$317,295.70			6,875.40		5,646.49	(115,206.79)	\$214,610.80
Vehicles, Boats & Aircraft	<u>16,348.14</u>			_____		_____	_____	<u>16,348.14</u>
Total Depreciable Assets at historical costs:	333,643.84			6875.40		5,646.49	(115,206.79)	230,958.94
Less Accumulated Depreciation for:								
Furniture and Equipment	(286,328.49)			(2,005.29)		(11,293.98)	115,206.79	(184,420.97)
Vehicles, Boats & Aircraft	<u>(16,348.14)</u>			_____		_____	_____	<u>(16,348.14)</u>
Total Accumulated Depreciation	(302,676.63)			(2,005.29)		(11,293.98)	115,206.79	(200,769.11)
Governmental Activities Capital Assets, Net	<u>\$30,967.21</u>			<u>4,870.11</u>		<u>(5,647.49)</u>	<u>0.00</u>	<u>\$30,189.83</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, 2021, the carrying amount of deposits was \$5,743.16 as presented below:

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING AMOUNT	
Texas Treasury Safekeeping Trust Company	\$5,743.16
Cash in Bank per AFR	\$5,743.16

Governmental Funds Current Assets Cash In Bank		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 616.72
GAAP Fund 1009, D23 Fund 2858	Exhibit A-1	\$ 4,986.44
GAAP Fund 0858, D23 Fund 6106	Exhibit A-1	<u>\$ 140.00</u>
Cash in Bank per AFR		<u>\$ 5,743.16</u>

B. INVESTMENTS & REPURCHASE AGREEMENTS

As of August 31, 2021, the net asset value and fair value of investments and repurchase agreements are as presented below:

Governmental and Business-Type Activities	Net Asset Value	Fair Value
Repurchase Agreements		
Texas Treasury Safekeeping Trust Company	\$6,975,069.45	\$6,975,069.45
Total	\$6,975,069.45	\$6,975,069.45

Governmental Funds Current Assets Cash Equivalents	
GAAP Fund 1000, D23 Fund 1002	\$ 69,917.57
GAAP Fund 1009, D23 Fund 2858	\$5,660,227.37
GAAP Fund 0858, D23 Fund 6106	<u>\$1,244,924.51</u>
Current Assets Cash Equivalents per AFR	<u>\$6,975,069.45</u>

C. STANDARD & POOR’S

As of August 31, 2021, the agency’s investment grade rating was:

Fund Type	Investment Type	AA+
01	U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	\$6,975,069.45

NOTE 4: SHORT-TERM DEBT

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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

During the year ended August 31, 2021, the following changes occurred in long-term liabilities.

GOVERNMENTAL ACTIVITIES	BALANCE 9/1/2020	ADDITIONS	REDUCTIONS	OTHER CHARGES	BALANCE 8/31/2021	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE THEREAFTER
Notes and Loans Payable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Obligation B/P	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revenue Bonds Payable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Claims and Judgments	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital Lease Obligations	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pollution Remediation Obligations	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employees' Compensable Leave	\$420,973.51	\$299,316.37	\$276,426.53	\$30,392.71	\$474,256.06	\$258,771.62	\$215,484.44
TOTAL GOVERNMENTAL ACTIVITIES	\$420,973.51	\$299,316.37	\$276,426.53	\$30,392.71	\$474,256.06	\$258,771.62	\$215,484.44

- The Other Charges column includes salary adjustments at 9/1/20.

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 Board's monetary liabilities for compensable future absences as of August 31, 2021, as computed by the CAPPs Leave Liability Report for Fiscal Year 2021, were as follows:

	General Long-Term Debt <u>Account Group</u>
Annual Leave	\$438,998.39
FLSA & State Compensable Time	<u>35,257.67</u>
Total	<u>\$474,256.06</u> (Exhibit I)

POLLUTION REMEDIATION OBLIGATIONS

Not applicable.

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Not applicable.

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 and office space lease for a term of 10 years:

Fund Type	Amount
General Fund	\$280,345.06

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,

2022 (Future Year 1)	324,326.64
2023 (Future Year 2)	333,375.72
2024 (Future Year 3)	324,897.76
2025 (Future Year 4)	331,465.68
2026 (Future Year 5)	338,354.62
2027-31 (Future Years 6-10)	<u>1,549,137.61</u>
Total Minimum Future Lease Payments	<u>\$3,201,558.03</u>

NOTE 9: DEFINED BENEFIT PENSION PLANS AND DEFINED CONTRIBUTION PLAN

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

The state of Texas offers a deferred compensation plan to all state employees. This plan is in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available to employees until distribution due to termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by the Employees Retirement System (ERS) Board of Trustees for the exclusive benefit of participants and their beneficiaries and may not be used for, or diverted to, any other expense, except to defray the reasonable expenses of administering the plan.

The Board of Trustees is not liable to participating employees for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income because of market conditions or the failure, insolvency or bankruptcy of a qualified vendor.

The state also administers the Texa\$aver 401(k) plan. The assets of this plan do not belong to the state and the state has no 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, 2021, 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		\$75,039.29	A
Total Due From/To Other Agencies (EXH. I)		\$75,039.29	

^A 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).

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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	\$93,138.77		B
Appd Fund 9999, D23 Fund 2858			
To Agency 457, D23 Fund 1009		\$93,138.77	B
Total Due From/To Other Funds (EXH. I)	\$93,138.77	\$93,138.77	

^B 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.

Sec. 901.006, Occupations Code, APPLICATION OF SUNSET ACT provides the following:

The Texas State Board of Public Accountancy is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the board is abolished and this chapter expires September 1, 2031.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Not applicable.

NOTE 15: CONTINGENCIES AND COMMITMENTS

Not applicable.

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, 83rd 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.
- 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, Chapter 901, Occupations Code*.

Also discussed in Note 1, the Texas State Board of Public Accountancy was notified by the Texas Facilities Commission (TFC) that TSBPA needed to relocate by the end of fiscal year 2020. The TFC informed the agency that our space in the William P. Hobby building was needed for another state agency that was expanded as a result of the last legislative session. The agency relocated to 505 E. Huntland Drive, in Austin, Texas, for a lease term of 10 years.

NOTE 19: THE FINANCIAL REPORTING ENTITY

No component units have been identified for this agency.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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.

NOTE 25: TERMINATION BENEFITS

A. VOLUNTARY TERMINATIONS

Not applicable.

B. INVOLUNTARY TERMINATIONS

Not applicable.

NOTE 26: SEGMENT INFORMATION

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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.

NOTE 31: TAX ABATEMENTS

Not applicable.

NOTE 32: GOVERNMENTAL FUND BALANCES

Not applicable.

III. COMBINING STATEMENTS
AND
SCHEDULES

UNAUDITED

Texas State Board of Public Accountancy (457)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 August 31, 2021

	General			Total (EXH I)
	(1000)	(0858)	(1009)	
	U/F(1002)	U/F(6106/7106)	U/F (2858/1009)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 4,500.00	\$ 380.00	\$ 15,923.60	\$ 20,803.60
Cash in Bank (Note 3)	616.72	140.00	4,986.44	5,743.16
Cash in State Treasury		-	315,935.95	315,935.95
Cash Equivalents (Note 3)	69,917.57	1,244,924.51	5,660,227.37	6,975,069.45
Accounts Receivable (Note 1)		-	38,973.12	38,973.12
Due From Other Funds (Note 12)		-	93,138.77	93,138.77
Total Current Assets	<u>75,034.29</u>	<u>1,245,444.51</u>	<u>6,129,185.25</u>	<u>7,449,664.05</u>
Non-Current Assets:				
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 75,034.29</u>	<u>1,245,444.51</u>	<u>6,129,185.25</u>	<u>7,449,664.05</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable		-	-	-
Accounts Payable		-	93,459.77	93,459.77
Payroll Payable		-	315,935.95	315,935.95
Due To Other Agencies (Note 12)	75,034.29	-	-	75,034.29
Due To Other Funds (Note 12)		-	93,138.77	93,138.77
Total Current Liabilities	<u>75,034.29</u>	<u>-</u>	<u>502,534.49</u>	<u>577,568.78</u>
Non-Current Liabilities:				
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>75,034.29</u>	<u>-</u>	<u>502,534.49</u>	<u>577,568.78</u>
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable				
Committed:				
Board Policy Reserve (See Note 1.D)		-	2,556,740.00	2,556,740.00
Other		1,245,444.51	3,069,910.76	4,315,355.27
Total Fund Balances	<u>-</u>	<u>1,245,444.51</u>	<u>5,626,650.76</u>	<u>6,872,095.27</u>
Total Liabilities and Fund Balances	<u>\$ 75,034.29</u>	<u>1,245,444.51</u>	<u>6,129,185.25</u>	<u>7,449,664.05</u>

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

UNAUDITED

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, 2021

	General				Total (EXH II)
	(0001) U/F(0001)	(0001) U/F(0325)	(0858) U/F (6106/7106)	(1009) U/F (2858/1009)	
REVENUES					
Federal Grant Pass-Through Revenue (GR)		\$ 15,863.04	\$ -	\$ -	\$ 15,863.04
License, Fees & Permits		-	682,780.09	6,636,378.28	7,319,158.37
Interest and Investment Income			211.68	773.92	985.60
Sales of Goods and Services			-	-	-
Other			12,909.35	54,531.32	67,440.67
Total Revenues	-	15,863.04	695,901.12	6,691,683.52	7,403,447.68
EXPENDITURES					
Salaries and Wages				2,824,585.35	2,824,585.35
Payroll Related Costs				920,722.09	920,722.09
Professional Fees and Services				202,516.52	202,516.52
Travel				289.12	289.12
Materials and Supplies		15,863.04		163,245.45	179,108.49
Communication and Utilities				56,491.22	56,491.22
Repairs and Maintenance				66,181.10	66,181.10
Rentals and Leases				324,438.12	324,438.12
Printing and Reproduction				52,870.37	52,870.37
State Grant Pass-Through			373,238.66	-	373,238.66
Intergovernmental Payments			151,157.00	-	151,157.00
Public Assistance Payments				107,500.00	107,500.00
Other Expenditures				428,410.49	428,410.49
Capital Outlay				5,646.49	5,646.49
Depreciation Expense				-	-
Total Expenditures/Expenses	-	15,863.04	524,395.66	5,152,896.32	5,693,155.02
Excess (Deficiency) of Revenues Over Expenditures	-	-	171,505.46	1,538,787.20	1,710,292.66
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	136.16				136.16
Transfers In (Note 1.F.)			525,040.66	6,599,226.07	7,124,266.73
Transfers Out (Note 1.F.)	(136.16)		(525,040.66)	(7,302,570.07)	(7,827,746.89)
Total Other Financing Sources and Uses	-	-	-	(703,344.00)	(703,344.00)
SPECIAL ITEMS					
-					
EXTRAORDINARY ITEMS					
Net Change in Fund Balances	-	-	171,505.46	835,443.20	1,006,948.66
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances, Beginning			1,073,939.05	4,791,207.56	5,865,146.61
Adjustment to Fund Balances (Restatement) Note 14			-	-	-
Fund Balances, September 1, 2020	-	-	1,073,939.05	4,791,207.56	5,865,146.61
			-		-
Fund Balances, August 31, 2021	\$ -	\$ -	\$ 1,245,444.51	\$ 5,626,650.76	\$ 6,872,095.27

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

Texas State Board of Public Accountancy (457)
Schedule 1-A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Pass-through From				From and Direct Program Amount	Pass-through To			Expenditures Amount	Total PT To and Expenditures Amount
		Agy/ Univ No	Agencies or Universities Amounts	Non-State Entities Amount	Direct Program Amount		Agy/ Univ No.	Agencies or Universities Amount	Non-State Entities Amount		
U.S. Department of the Treasury											
<u>Pass-Through From:</u>											
COVID-19 - Coronavirus Relief Fund	21.019					\$ 15,863.04				\$ 15,863.04	\$ 15,863.04
Pass-through From: Governor - Fiscal		300	\$ 15,863.04								
Total - U.S. Department of the Treasury			15,863.04	-	-	15,863.04		-	-	15,863.04	15,863.04
Total Expenditures of Federal Awards			\$ 15,863.04	-	-	\$ 15,863.04		-	-	\$ 15,863.04	\$ 15,863.04

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, 2021

State Pass-Through Grants To:

Scholarships for Fifth-Year Accounting Students

711	Texas A&M University	\$	43,222.00
713	Tarleton State University		8,710.00
721	University of Texas at Austin		33,923.00
724	University of Texas at El Paso		10,014.66
730	University of Houston		75,000.00
732	Texas A&M University - Kingsville		2,897.00
733	Texas Tech University		25,812.00
734	Lamar University		4,497.00
737	Angelo State University		9,557.00
738	University of Texas at Dallas		56,324.00
739	University of Texas of the Permian Basin		2,000.00
746	University of Texas at Rio Grande Valley		12,000.00
750	University of Texas at Tyler		5,060.00
751	Texas A&M - Commerce		3,000.00
752	University of North Texas		20,354.00
753	Sam Houston State University		13,970.00
754	Texas State University		25,057.00
755	Stephen F. Austin State University		12,841.00
760	Texas A&M University - Corpus Christi		6,000.00
765	University of Houston - Victoria		3,000.00
Total State Pass-Through Grants To Other Agencies (Exh. II)			\$ 373,238.66

IV. ADDENDA

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
ADDENDA**ORGANIZATION 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*. 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 \$100 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, 2021, were:

<u>NAME</u>	<u>RESIDENCE</u>	<u>TERM EXPIRES JANUARY 31,</u>
Manuel "Manny" Cavazos IV, Esq., CPA, Presiding Officer	Manor	2023
Lisa A. Friel, CPA, Assistant Presiding Officer	San Antonio	2023
Kevin J. Koch, CPA, Treasurer	Temple	2025
James D. "Jim" Ingram IV, CPA, Secretary	College Station	2023
Jamie D. Grant, Executive Committee Member-at-large	Arlington	2023
Debra D. Seefeld, CPA, Executive Committee Member-at-large	Montgomery	2025
Debra S. Sharp, Executive Committee Member-at-large	Houston	2023
Susan I. Adams, CPA	Colleyville	2027
Olivia Espinoza-Riley, CPA	Addison	2027
Renee D. Foshee, Esq., CPA	San Marcos	2027
Ray R. Garcia, CPA	Houston	2027
Jill A. Holup	Austin	2025
Jeannette P. Smith, CPA	Mission	2025
Sheila M. Vallés-Pankratz	Mission	2027

(one vacant position)

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:

QUALIFICATIONS AND LICENSING

Evaluation - Under *Section 901.252 (Eligibility Requirements)* of the *Act*, the Board evaluates the education and the history of applicants who desire to take the Uniform CPA Examination to assure they lack dishonest or felonious acts. 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 assessed 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 (Eligibility Requirements)* 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 (Transfer of Complete Examination Credit Between States)* of the *Act* and have met all other statutory requirements under *Section 901.252 (Eligibility Requirements)* 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)*.

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 (Registration for Certain Foreign Applicants)* 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.

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 (Registration for Certain Foreign Applicants)* of the *Act*.

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, assess administrative penalties and costs or take other disciplinary action. In addition, the Board has the authority to enjoin the unauthorized practice of public accountancy.

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, infographics, and publications, such as the *Texas State Board Report*, the agency's *Strategic Plan*, and NASBA's *EDigital* newsletter.

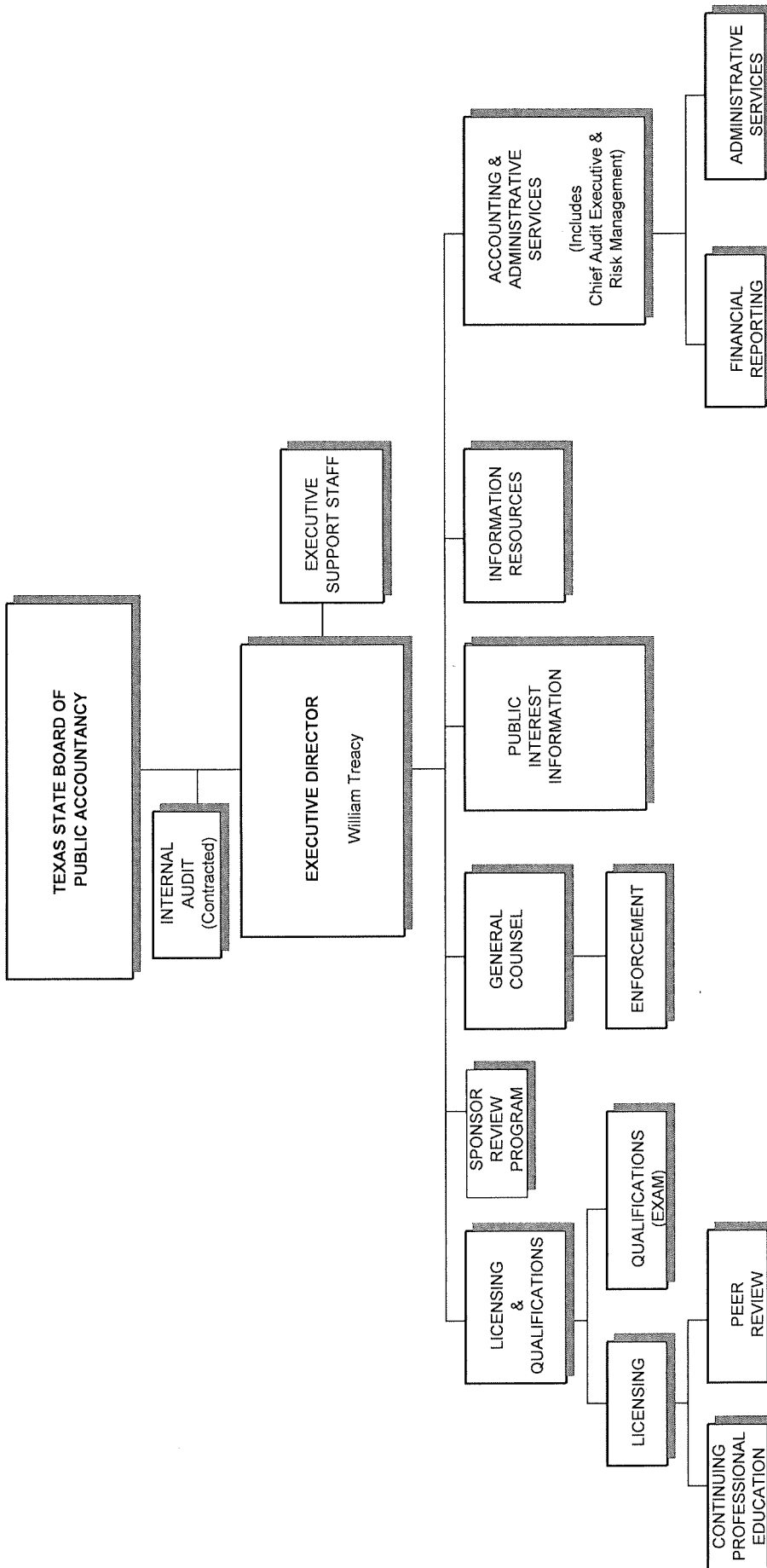
SCHOLARSHIPS FOR FIFTH-YEAR ACCOUNTING STUDENTS

The Texas Legislature passed *House Bill 2440 (81st Legislature R.S. 2009)* and *SB 777 (82nd 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 participating Texas colleges and universities, whose financial aid offices make the decisions on providing scholarships to individual students.

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, 2021.

EMPLOYED AS OF AUGUST 31, 2021

Paulette Beiter	Attorney IV
Josephine Briones-Febbraro	Legal Assistant II
Roel Cantu	Program Supervisor III
Ismael Castillo, Jr.	Executive Assistant II
Delia Castro	Program Specialist II
Jennifer Costilla	Program Specialist I
Rhonda Fellner	Administrative Assistant III
J Franco	Program Specialist I
Jackie Frazier	Manager V
Maria Graziani	Program Specialist II
Gilbert Gutierrez	Program Supervisor IV
Ann Hallam	Director II
Telisa Harwell	Program Specialist I
Alan Hermanson	Dir. of Administrative Services/CFO
Jerry Hill	General Counsel IV
Donna Hiller	Director II
Alexis Holliday	Legal Assistant II
Marissa Mahoney	Program Supervisor V
Maria Lagunas	Manager II
Nancy Love	Accountant IV
Kyle McGaw	Director I
John Moore	Attorney IV
Brian O'Neal	Administrative Assistant V
Thomas Payne	Systems Analyst VI
Kenny Pettitte	Program Specialist II
Julie Prien	Information Specialist III
Marisa Rios	Legal Assistant III
April Serrano	Program Supervisor V
Margie Sheehan	Program Specialist I
Jon Smith	Systems Analyst VI
Tina Smith	Program Specialist III
William Treacy	Executive Director
Cherylyn Turner	Program Specialist I
Daniel Weaver	Director II

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
STATISTICAL INFORMATION**REGISTRATION AND LICENSURE****Current Statistics**

The number of licenses issued by the Board in fiscal years 2020 and 2021 were as follows:

	<u>AUGUST 31,</u>	
	<u>2020</u>	<u>2021</u>
Certified Public Accountants	77,085	77,357
Public Accountants	1	0
Offices*	9,476	9,361
Other States/Foreign Countries	<u>45</u>	<u>44</u>
Total Licenses	<u>86,607</u>	<u>86,762</u>

*Out-of-state firms are no longer required to be registered.

The number of firms practicing public accountancy in Texas at the end of fiscal years 2020 and 2021 were as follows:

	<u>AUGUST 31,</u>	
	<u>2020</u>	<u>2021</u>
Corporations	4,205	4,293
Partnerships	366	349
Sole Proprietorships	<u>4,506</u>	<u>4,301</u>
Total Firms*	<u>9,077</u>	<u>8,943</u>

*The total number of firms does not equal the number of offices because some firms have more than one office. Out-of-state firms are no longer required to be registered.

The number of individuals certified or registered by the Board in fiscal years 2020 and 2021 were as follows:

	<u>AUGUST 31,</u>	
	<u>2020</u>	<u>2021</u>
CPA Certifications	1,730	1,694
Reciprocity	<u>560</u>	<u>636</u>
Total Certifications and Registrations	<u>2,290</u>	<u>2,330</u>

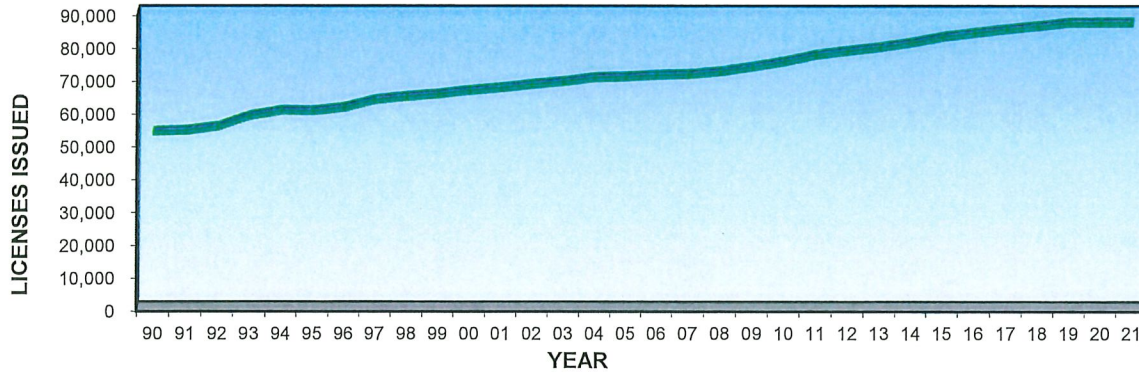
Statistical Trends

As shown in Table I, the number of licensees governed by the Board has increased by 62.07%, from 53,478 in 1990 to 86,672 in 2021.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE I

LICENSES ISSUED FROM 1990 TO 2021



<u>YEAR</u>	<u>TOTAL LICENSES</u>	<u>CHANGE FROM PREVIOUS YEAR</u>
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%
2017	84,610	1.41%
2018	85,518	1.07%
2019	86,580	1.24%
2020	86,607	0.03%
2021	86,672	0.08%

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 quarters.

	FY 2020					FY 2021				
	Sept. 19-Nov. 19 1st Qtr.	Dec. 19-Feb. 20 2nd Qtr.	Mar. 20-May 20 3rd Qtr.	June 20-Aug. 20 4th Qtr.	Total	Sept. 20-Nov. 20 1st Qtr.	Dec. 20-Feb. 21 2nd Qtr.	Mar. 21-May 21 3rd Qtr.	June 21-Aug. 21 4th Qtr.	Total
Individuals Examined	2,502	2,697	1,502	2,456	9,157	2,614	2,878	2,371	2,974	10,837
Number of Sections Taken	3,125	3,230	1,750	3,377	11,482	3,455	3,506	3,460	4,109	14,530
Number of Sections Passed	1,628	1,687	1,134	2,305	6,754	1,726	1,502	1,768	1,997	6,993

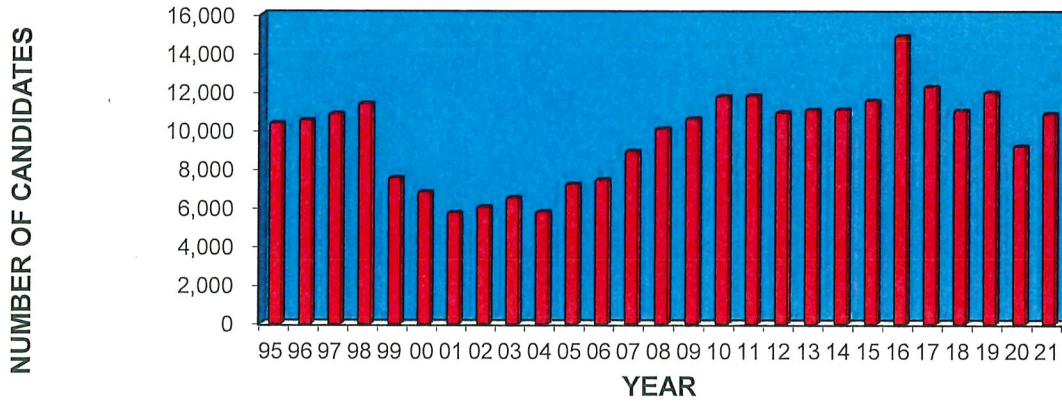
Candidates Sitting for the CPA Exam

A candidate can be counted in multiple testing windows during a fiscal year. The number of examination candidates increased from 9,157 in 2020 to 10,837 in 2021. (See Table II)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE II

CANDIDATES TAKING THE CPA EXAM
FROM 1995 TO 2021



<u>YEAR</u>	<u>CANDIDATES TESTING</u>	<u>CHANGE FROM PREVIOUS YEAR</u>
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%
2017	12,244	-17.55%
2018	11,009	-10.09%
2019	11,944	8.49%
2020	9,157	-23.33%
2021	10,837	18.35%

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:

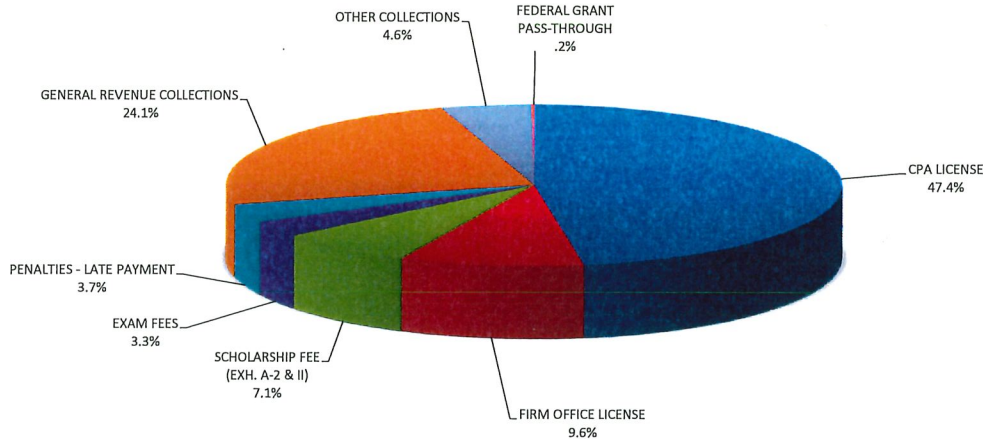
	<u>STATUTORY MAXIMUM</u>	<u>ACTUAL</u>	
		<u>FY 20</u>	<u>FY 21</u>
<u>CPA Examination Fees:</u>			
Application of Intent	\$100	\$20	\$20
Eligibility fee – per part		\$15	\$15
<u>License Fees:</u>			
Individual license	\$125	\$65	\$65
Scholarship	\$10	\$10	\$10
Firm Office License	\$200	\$60	\$60
<u>Other Fees:</u>			
Reciprocal registration	\$250	\$100	\$100
CPA certificate fee	\$50	\$50	\$50
Transfer of Credit In- 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 \$9.8 million during fiscal year 2021. 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, 2021



	FY 2021		FY 2020	
CPA LICENSE	\$ 4,620,096.01	47.4%	\$ 4,495,302.72	59.2%
FIRM OFFICE LICENSE	934,215.77	9.6%	938,763.19	12.4%
SCHOLARSHIP FEE (EXH. A-2 & II)	695,901.12	7.1%	695,274.81	9.2%
EXAM FEES	319,260.00	3.3%	297,315.00	3.9%
PENALTIES - LATE PAYMENT	357,640.50	3.7%	367,451.00	4.8%
GENERAL REVENUE COLLECTIONS*	2,347,958.19	24.1%	311,599.19	4.1%
OTHER COLLECTIONS	460,471.24	4.6%	482,308.82	6.4%
FEDERAL GRANT PASS-THROUGH	15,863.04	0.2%		
TOTAL FUNDS COLLECTED	\$9,751,405.87	100.0%	\$7,588,014.73	100.0%

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.)	\$ 19,149.77	\$ 68,039.70	See Note 1 - Agency Funds
Administrative and CPE Penalties collected from enforcement related actions	2,328,808.42	243,559.49	
Total General Revenue Collections	\$ 2,347,958.19	\$ 311,599.19	

Total General Revenue Collections does not include interest of \$14,458.64 earned in the Texas Treasury Safekeeping Trust Company.

Excluding Funds Collected for General Revenue and Federal Grant Pass-through:

Fund 2858: TSBPA Operating Trust Fund	\$ 6,691,683.52	\$ 6,581,140.73	
Fund 6106: TSBPA Scholarship Fund	695,901.12	695,274.81	See Note 1 B
Reference Exhibits II and A-2.	\$ 7,387,584.64	\$ 7,276,415.54	

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

EXPENDITURES

BY ACTIVITY

For the fiscal year ended August 31, 2021, the total expenditures of the Board were approximately \$5.7 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.

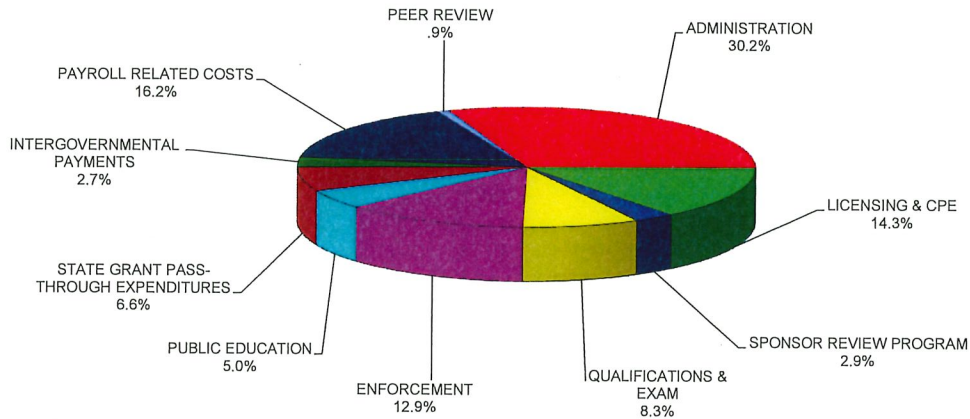
The Board's expenditures for Salaries and Payroll Related Costs were 65.2% of total expenditures, which is typical of a service-oriented organization.

The next largest expenditure group in fiscal year 2021 was for Other Expenditures which includes payment for the Statewide Cost Allocation Plan, workers' compensation, and risk management services. State Grant Pass-Through Expenditures and Intergovernmental Payments include Fifth-Year Accounting Scholarships paid to colleges and universities. Rental and Leases include office building rent. The Professional Fees expenditure category entails expert witness fees and legal services.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE IV
EXPENDITURES BY ACTIVITY

For the Fiscal Year Ended August 31, 2021



	FY 2021		FY 2020	
LICENSING AND CPE	\$813,158.59	14.3%	\$771,000.95	13.4%
SPONSOR REVIEW PROGRAM (SRP)	162,363.15	2.9%	155,944.67	2.7%
QUALIFICATIONS & EXAM	470,526.69	8.3%	456,584.22	7.9%
ENFORCEMENT	733,567.42	12.9%	880,893.22	15.0%
PUBLIC EDUCATION	286,434.79	5.0%	276,325.98	4.8%
STATE GRANT PASS-THROUGH EXPENDITURES	373,238.66	6.6%	406,600.50	6.8%
INTERGOVERNMENTAL PAYMENTS	151,157.00	2.7%	159,893.00	2.6%
PAYROLL RELATED COSTS	920,722.09	16.2%	903,367.08	16.4%
PEER REVIEW	49,319.62	0.9%	50,236.42	1.2%
ADMINISTRATION	1,732,667.01	30.2%	1,661,231.59	29.2%
TOTAL EXPENDITURES	\$5,693,155.02	100.0%	\$5,722,077.63	100.0%

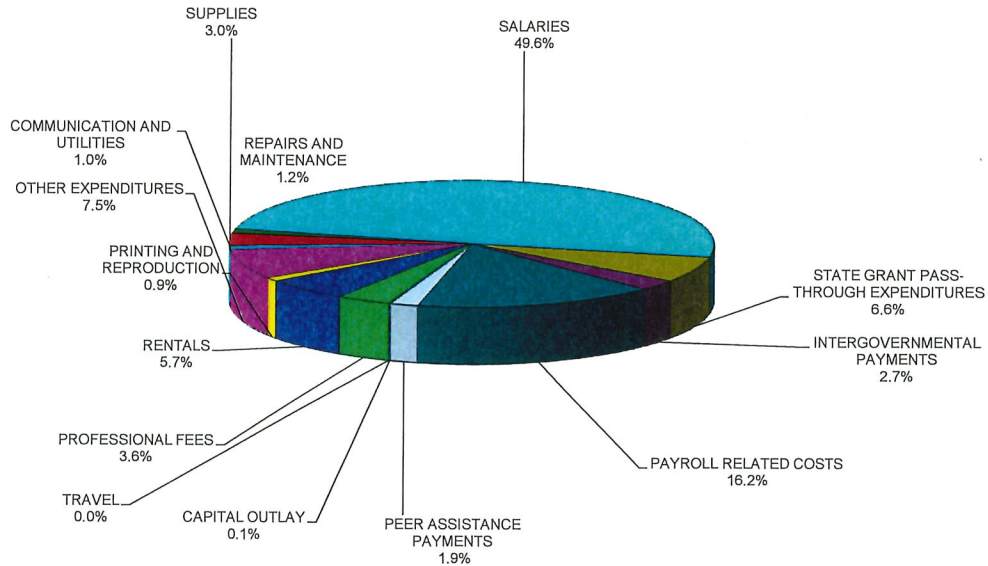
(Exhibit II)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE V

EXPENDITURES BY OBJECT

For the Fiscal Year Ended August 31, 2021



	FY 2021		FY 2020	
SALARIES AND WAGES	\$2,824,585.35	49.6%	\$2,747,768.35	49.1%
PAYROLL RELATED COSTS	920,722.09	16.2%	903,367.08	16.3%
PROFESSIONAL FEES AND SERVICES	202,516.52	3.6%	394,896.47	6.8%
TRAVEL	289.12	0.0%	19,787.33	0.7%
MATERIALS AND SUPPLIES	179,108.49	3.0%	296,060.41	4.0%
RENTALS AND LEASES	324,438.12	5.7%	118,914.93	1.9%
PRINTING AND REPRODUCTION	52,870.37	0.9%	48,159.52	0.6%
REPAIRS AND MAINTENANCE	66,181.10	1.2%	64,691.66	1.2%
COMMUNICATION AND UTILITIES	56,491.22	1.0%	36,524.41	0.7%
STATE GRANT PASS-THROUGH EXPENDITURES	373,238.66	6.6%	406,600.50	6.8%
INTERGOVERNMENTAL PAYMENTS	151,157.00	2.7%	159,893.00	2.6%
OTHER EXPENDITURES	428,410.49	7.5%	412,808.17	7.4%
PEER ASSISTANCE PAYMENTS	107,500.00	1.9%	107,500.00	1.9%
CAPITAL OUTLAY	5,646.49	0.1%	5,105.80	0.0%
TOTAL EXPENDITURES	\$5,693,155.02	100.0%	\$5,722,077.63	100.0%

(Exhibit II)