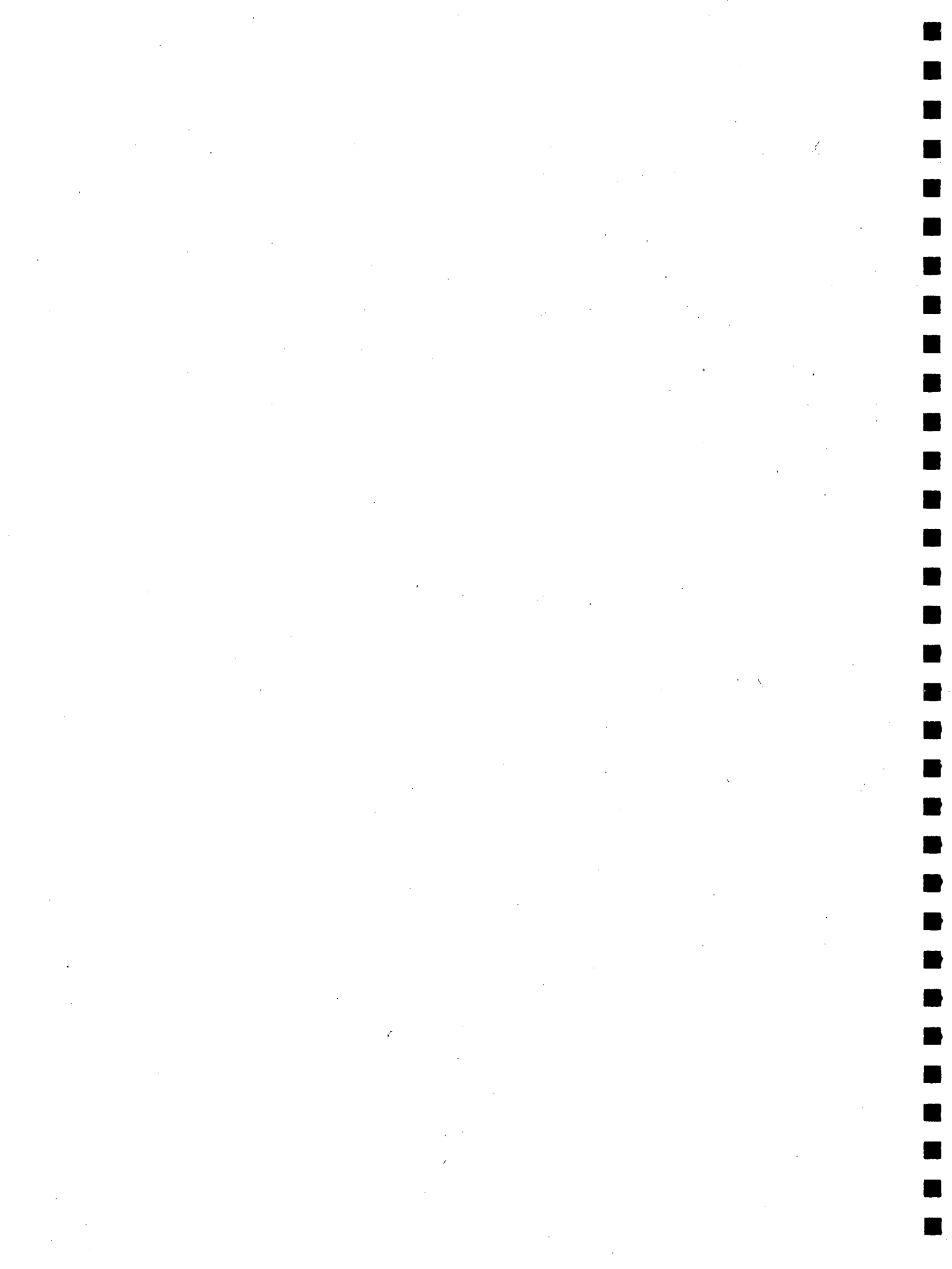




Texas Board of Law Examiners (203)

Annual Financial Report

August 31, 2019



CONTENTS

	Page
Independent Auditor's Report	1
Basic Financial Statements	
Balance Sheet – Governmental Fund Statement of Net Position.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund Statement of Activities.....	4
Statement of Net Position – Fiduciary Fund.....	5
Notes to Financial Statements.....	6
Addendum – Organizational and General Comments (Unaudited)	12
Independent Accountant's Examination Report on Compliance with the Public Funds Investment Act	14



Independent Auditor's Report

To the Board of Directors of
Texas Board of Law Examiners

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Texas Board of Law Examiners, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Texas Comptroller of Public Accounts described in *Reporting Requirements for Fiscal 2019 Annual Financial Reports of State Agencies and Universities*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

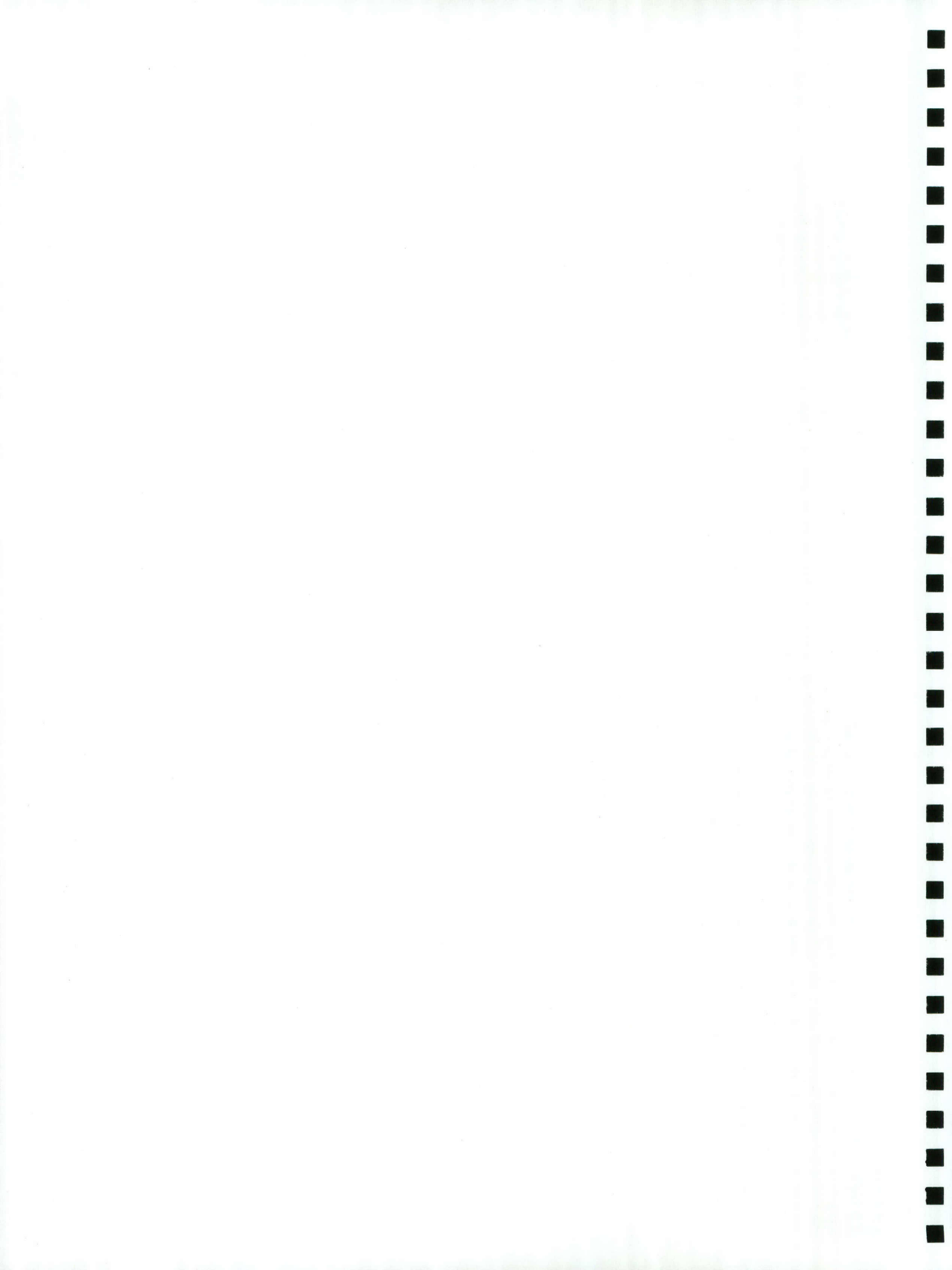
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Texas Board of Law Examiners as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the Texas Comptroller of Public Accounts described in *Reporting Requirements for Fiscal 2019 Annual Financial Reports of State Agencies and Universities* described in Note 1.



The Board of Directors of
Texas Board of Law Examiners

Basis of Accounting

We draw attention to Note 1 of the financial statements, which described the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by the Texas Board of Law Examiners on the basis of the financial reporting provisions of the Texas Comptroller of Public Accounts described in *Reporting Requirements for Fiscal 2019 Annual Financial Reports of State Agencies and Universities*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Texas Comptroller of Public Accounts. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 1 to the financial statements, beginning fund balance has been reduced to account for a prior fiscal year invoice which was not processed until December of the current fiscal year. Our opinion on the 2019 financial statements is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Texas Board of Law Examiners, the Board of Directors, and the State Auditor's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 13, 2019



Texas Board of Law Examiners (203)

Balance Sheet – Governmental Fund

Statement of Net Position

August 31, 2019

	Governmental Fund	Government-wide Adjustments		Government- wide
	Special Revenue Fund	Capital Asset Adjustments	Long-term Liability Adjustments	Statement of Net Position
ASSETS				
Cash in bank	\$ 4,180,114	\$ -	\$ -	\$ 4,180,114
Deposits in transit	16,681	\$ -	\$ -	16,681
Accounts receivable	12,445	-	-	12,445
Prepaid expenses	6,100	-	-	6,100
Total current assets	4,215,340	-	-	4,215,340
Non-current assets				
Capital assets				
Depreciable furniture and equipment	-	66,569	-	66,569
Accumulated depreciation	-	(28,996)	-	(28,996)
Vehicles, boats, and aircraft	-	-	-	-
Accumulated depreciation	-	-	-	-
Total non-current assets	-	37,573	-	37,573
Total assets	\$ 4,215,340	\$ 37,573	\$ -	\$ 4,252,913
LIABILITIES AND FUND BALANCES				
Liabilities				
Current liabilities				
Accounts payable	\$ 526,374	\$ -	\$ -	\$ 526,374
Payroll payable	6,648	-	-	6,648
Unearned revenue	148,790	-	-	148,790
Employees comp leave	-	-	89,922	89,922
Total current liabilities	681,812	-	89,922	771,734
Non-current liabilities				
Employees comp leave	-	-	20,566	20,566
Total non-current liabilities	-	-	20,566	20,566
Total liabilities	\$ 681,812	\$ -	\$ 110,488	\$ 792,300
FUND FINANCIAL STATEMENT, fund balances				
Fund balances				
Nonspendable -prepaid	\$ 6,100			\$ 6,100
Unassigned	3,527,428			3,527,428
Total fund balances	3,533,528			3,533,528
Total liabilities and fund balances	\$ 4,215,340			
GOVERNMENT-WIDE STATEMENT, net position				
Net position				
Net investment in capital assets		\$ 37,573	\$ -	37,573
Unrestricted		-	(110,488)	(110,488)
Total net position		\$ 37,573	\$ (110,488)	3,460,613
Total liabilities and net position				\$ 4,252,913

The Notes to Financial Statements are an integral part of this statement.



Texas Board of Law Examiners (203)
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Fund
Statement of Activities
Year Ended August 31, 2019

	Governmental Fund	Government-wide Adjustments		Government- wide
	Special Revenue Fund	Capital Asset Adjustments	Long-term Liability Adjustments	Statement of Activities
REVENUES				
Licenses, fees and permits	\$ 3,535,105	\$ -	\$ -	\$ 3,535,105
Interest and investment income	25,272	-	-	25,272
Other revenues	5,482	-	-	5,482
Total revenues	3,565,859	-	-	3,565,859
EXPENDITURES				
Salaries and wages	1,364,982	-	-	1,364,982
Payroll related costs	473,888	-	15,200	489,088
Professional fees and services	412,753	-	-	412,753
Travel	101,168	-	-	101,168
Materials and supplies	73,226	-	-	73,226
Communication and utilities	16,852	-	-	16,852
Repairs and maintenance	1,735	-	-	1,735
Rentals and leases	301,646	-	-	301,646
Printing and reproduction	9,149	-	-	9,149
Other expense	578,135	-	-	578,135
Depreciation expense	-	3,244	-	3,244
Total expenditures/expenses	3,333,534	3,244	15,200	3,351,978
Excess of revenues over expenditures	232,325	(3,244)	(15,200)	213,881
Net change in fund balances/Net position	232,325	(3,244)	(15,200)	213,881
FUND FINANCIAL STATEMENT, fund balances				
Fund balances, September 1, 2018	3,307,535			
Pror period adjustment	(6,332)			(6,332)
Fund balances, August 31, 2019	<u>\$ 3,533,528</u>			
GOVERNMENT-WIDE STATEMENT OF NET POSITION				
Net position / Net change in net position		(3,244)	(15,200)	213,881
Net position, September 1, 2018		40,817	(95,288)	(54,471)
Net position, August 31, 2019		<u>\$ 37,573</u>	<u>\$ (110,488)</u>	<u>\$ 3,460,613</u>

The Notes to Financial Statements are
an integral part of this statement



Texas Board of Law Examiners (203)

Statement of Net Position – Fiduciary Fund

August 31, 2019

	Fiduciary Fund Types	
	Agency Fund	Total
ASSETS		
Cash in bank	\$ 150,250	\$ 150,250
Total assets	<u>\$ 150,250</u>	<u>\$ 150,250</u>
LIABILITIES		
Funds held for others	\$ 150,250	\$ 150,250
Total liabilities	<u>\$ 150,250</u>	<u>\$ 150,250</u>

The Notes to Financial Statements are an integral part of this statement.



Texas Board of Law Examiners (203)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Entity

The Texas Board of Law Examiners (the Board) is a judicial agency of the State of Texas. Its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts Reporting Requirements of State Agencies.

The Texas Board of Law Examiners, operating under the auspices of the Supreme Court of Texas, serves the State by determining the eligibility of candidates for licensure to practice law in the State of Texas, by administering the Texas Bar Exam semi-annually and making an assessment of the moral character and fitness of each person applying for licensure.

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.

These financial statements are prepared in accordance with the Texas Comptroller of Public Accounts Financial Reporting Requirements for State Agencies and Universities. Preparation of financial statements in accordance with these provisions requires the use of estimates. Actual results could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

Special Revenue Funds

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Funds are outside the State Treasury.

Capital Assets Adjustment Fund Type

The capital assets adjustment fund is used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The long-term liabilities adjustment fund is used to convert governmental fund types' debt from modified accrual to full accrual.

Fiduciary Fund Types

Agency Funds

Agencies use agency funds 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.



Texas Board of Law Examiners (203)

Notes to Financial Statements

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 method, revenues are recognized in the period in which they become both measurable and available, except for examination fees, which are deferred until the fiscal year in which the examination applied for occurs. The Texas Board of Law Examiners considers receivables collected within 60 days after fiscal year-end to be available. Expenditures and other uses of financial resources are recognized when their 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 new fund types.

Budgets and Budgetary Accounting

The budget is adopted annually by the Supreme Court of Texas and includes no legislative appropriations. The budget is based on anticipated funds to be collected during the fiscal year from fees set by the Supreme Court and on anticipated expenditures to administer the functions of the Board pursuant to Texas Government Code, Sec. 82.033- 82.034 and the *Rules Governing Admission to the Bar of Texas*, adopted by the Supreme Court.

Assets, Liabilities and Fund Balances/Net Position

Assets

Cash and Cash Equivalents

Cash in bank includes cash on hand in banks (including Certificates of Deposit and Share Certificates) and may include U.S. Treasury Bills at purchase price.

Prepays

Prepays include postage on hand at year-end, insurance and deposits on exam site venues. The consumption method of accounting is used to account for prepaid items that appear in the governmental fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not 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". "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.



Texas Board of Law Examiners (203)

Notes to Financial Statements

Liabilities and Fund Balances / Net Position

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 as well as prior period outstanding checks pending resolution.

Unearned Revenue

Unearned revenue represents the liability for the value of fees received at the balance sheet date for which services, Bar Exam or Certification for Licensure, will be rendered in the following fiscal year.

Employees' Compensable Leave

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by the covered employee.

Fund Balance / Net Position

The difference between fund assets and liabilities is net position on the statement of net position. Fund balance is the difference between fund assets and liabilities on the governmental fund balance sheet.

Fund balance for governmental funds are classified as:

Non-spendable

Includes amounts not available to be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Unassigned

Represents fund balance that was not assigned to other funds and was not restricted, committed, or assigned to specific purposes.

Net position reported on the statement of net position is classified as:

Net Investment in Capital Assets

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

Consists of net resources that do not meet the definition of restricted net position or net investment in capital assets.

Prior Period Adjustment

Beginning fund balance was reduced by \$6,332 to account for an invoice pertaining to a prior fiscal year bar exam which was not processed until December of the current fiscal year.



Texas Board of Law Examiners (203)

Notes to Financial Statements

Note 2. Capital Assets

A summary of changes in capital assets for the year ended August 31, 2019, is presented below:

	Balance August 31, 2018	Additions	Deletions	Balance August 31, 2019
Furniture and equipment	\$ 66,569	\$ -	\$ -	\$ 66,569
Vehicles, boats, aircraft	-	-	-	-
Accumulated depreciation	(25,752)	(3,244)	-	(28,996)
Total	\$ 40,817	\$ (3,244)	\$ -	\$ 37,573

Note 3. Deposits, Investments, and Repurchase Agreements

The assets of the Texas Board of Law Examiners are held in bank accounts in authorized State depositories or in investments made pursuant to the written investment policy adopted by the Board, in compliance with State statutes regulating the investment of State agency funds. All bank account deposits are fully insured by federal deposit insurance up to the maximum \$250,000 (interest bearing) and fully collateralized (non-interest bearing). Excess funds in such accounts are secured, where necessary, by additional collateral pledged by the depository in which the funds are held, all in compliance with applicable State statutes. There were no violations of legal provisions during the period.

Deposits of Cash in Bank

Deposits are carried at cost in the financial statements. The carrying amount of deposits is shown as "Cash in bank". Deposits are categorized to give an indication of the level of risk assumed by the Board. Deposits include amounts carried as Agency Funds, which are not held in a separate depository account from Special Revenue Funds.

Location	Category One
Independent Bank	\$ 1,269,220
Independent Bank	1,857,133
A +FCU	100
Austin Telco FCU	971
Austin Telco FCU SC	245,004
Hanmi Bank CD	231,434
I-Bank Texas CD(s)	258,551
Frost Bank	231,091
Velocity Credit Union	614
Velocity Credit Union SD	236,246
Total	\$ 4,330,364

Category One items represent balances fully insured by federal depository insurance or fully secured by collateral held by the Board or by its agents in the Board's name.



Texas Board of Law Examiners (203)

Notes to Financial Statements

Note 4. Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2019, the following changes occurred in long-term liabilities:

Type of Debt	Balance August 31, 2018	Additions	Deductions	Balance August 31, 2019	Amount Due Within One Year
Compensable leave	\$ 95,288	\$ 70,087	\$ 54,887	\$ 110,488	\$ 89,922
Total	<u>\$ 95,288</u>	<u>\$ 70,087</u>	<u>\$ 54,887</u>	<u>\$ 110,488</u>	<u>\$ 89,922</u>

Employees Compensable Leave

A State employee is entitled to be paid for all unused vacation time accrued and for all FLSA time accrued in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated leave and FLSA balances are recognized in the period paid or taken in Governmental and/or Expendable Trust fund types. For this fund type, the liability for unpaid benefits is recorded in the General Long Term Debt Account Group with a corresponding account designated "Amounts to be Provided in Future Years". No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Sick Leave

Sick Leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in case of illness or to the employee's estate in the event of his/her death while employed by the State. The maximum amount which may be paid to an employee's estate for accrued sick leave is one half of the employee's accumulated entitlement or 336 hours, whichever is less. The Board's policy is to recognize the cost of any sick leave when paid. No liability is recorded in the General Long Term Debt Group, since experience indicates the probability of a material effect on any given year's operations, as a result of death or abnormally high rate of illness, is minimal.

Note 5. Post-Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the Board provided certain health care and life insurance benefits for retired employees. These other postemployment benefits (OPEB) are authorized by statute. Benefit provisions for the single-employer defined benefit Sample System Employee Group Insurance Plan (Plan) are established and amended by the Texas Insurance Code, Chapter 1601. Retiree eligibility for insurance continuation is determined by the Legislature and is subject to change in accordance with State statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the Texas Board of Law Examiners. Currently there are 12 retirees who are eligible for these benefits at the Board. Those similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The Board recognizes the cost of providing these benefits by expensing the annual insurance premiums. The Board's contribution per full-time employee was \$625 per month for those enrolled in the "employee only" category, \$983 per "employee and spouse", and \$865 per employee and children" and \$1,223 per "employee and family". For the year ended August 31, 2019, these expenditures, for active employees, totaled \$153,715. The cost of providing those benefits (at year end) for twelve retirees was \$130,785.



Texas Board of Law Examiners (203)

Notes to Financial Statements

Note 6. Continuance Subject to Review

Upon review, effective September 1, 2017, the Board was continued in existence by the 85th Legislature, S.B 303, as provided by the Texas Sunset Act. The Texas Board of Law Examiners remains subject to Chapter 325 (Texas Sunset Act) and unless continued in existence as provided by that chapter, the Board will be abolished as a state agency September 1, 2029.

Note 7. Commitments and Contingencies

Commitments and contingencies occur through the normal operation of the Board. Management believes that there are no material contingencies or commitments that require disclosure.

Litigation

As of August 31, 2019, there were three lawsuits pending against the Texas Board of Law Examiners. None presents any financial risk to the Board nor significant potential financial impact.

Note 8. Termination Benefits

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. The COBRA members are eligible to remain in the Group Benefits Program for 18 months or 29 months if disabled. Dependents are eligible to remain in the program for 36 months. There were no COBRA benefits incurred or paid by the Texas Board of Law Examiners for the fiscal year ending August 31, 2019.



Texas Board of Law Examiners (203)

Addendum – Organization and General Comments (Unaudited)

Purpose of the Texas Board of Law Examiners

Chapter 82 of Texas Government Code and Rules Governing Admission to the Bar of Texas, adopted by the Supreme Court of Texas, provide for the operation of the Texas Board of Law Examiners. The Board is responsible for determining the eligibility of all candidates for admission to the practice of law within the State, by administering the Texas Bar Exam semi-annually and making an assessment of the the present moral character and fitness of each person applying for licensure.

Under certain circumstances, attorneys from other states may be admitted without examination upon submission of written application, payment of required fees, and proof of meeting certain prescribed standards.

Organization

All Board members must have the qualifications required of the Texas Supreme Court Justices. Board members are appointed to serve a six-year term by the Supreme Court and are subject to removal by that body. Each Board member receives compensation, not to exceed \$30,000 annually, for professional services rendered in preparing and grading the Texas Bar Exam, plus actual expenses, pursuant to *Texas Government Code*, Sec. 82.005. The members for the 2019 fiscal year (along with current 2019 appointments) are as follows:

Board Members

Harold A. Odom (Chair)
Augustin Rivera, Jr.
Teresa Ereon Giltner
Barbara Ellis
Anna M. McKim
Cynthia E. Hujar Orr
C. Alfred Mackenzie
Dwaine M. Massey
Carlos Soltero [appointed October 1, 2018]

Susan Henricks was appointed by the Board to serve as Executive Director effective December 30, 2014. For the fiscal year ending August 31, 2019, her annual salary, as set by the Board, was \$141,112.

The Board's program function staff consists of the Eligibility and Examination Director and Assistant Director, Character and Fitness Director and Assistant Director, and eight licensure analysts. In addition, the Board employs two attorneys, an accountant and an executive assistant to the Executive Director, a purchasing/accounting clerk, and a secretary/receptionist.

As of August 31, 2019, the Board's accountant and director were bonded for \$200,000. All other, Board employees were bonded for \$25,000 each by a public employees bond, issued through the John A. Barklay Agency Inc. This is a three-year prepaid bond, expiring August 31, 2020.



Texas Board of Law Examiners (203)

Addendum – Organization and General Comments – Continued (Unaudited)

General Comments

The Board receives no state appropriations and is fully funded by fees received from users of its services.

The Fees charged by the Board are set out in Rule XVIII of the "Rules Governing Admission to the Bar of Texas".

The following, approximate number of applications (of all types), were received in fiscal year 2019:

<u>Declarants</u>	<u>In-State TBE Applicants</u>	<u>O/S Applicants</u>	<u>Attorneys TBE Applicants</u>	<u>TBE Re-Applicants</u>	<u>AWOX Applicants</u>	<u>Foreign Legal Consult Applicants</u>
2,064	1,807	753	354	1,762	715	26

The total number of applicants who sat for and completed the February and July 2019 exams, (based on the total exams graded) were 1,195 and 2,903 respectively for an annual total of 4,098.



**Independent Accountant's Examination Report on Compliance
with the Public Funds Investment Act**

Board of Directors
Texas Board of Law Examiners

We have examined management of Texas Board of Law Examiner's (the Board) assertion that the Board complied with the requirements specified in the Public Funds Investment Act during the year ended August 31, 2019. The Board's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the Board is in compliance with the requirements specified in the Public Funds Investment Act for the year ended August 31, 2019 is fairly stated, in all material respects.

Our report is intended solely for the information and use of Texas Board of Law Examiners, the Board of Directors, and the State Auditor's Office, and is not intended to be, and should not be, used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 13, 2019

