



TEXAS STATE BOARD
OF
PUBLIC ACCOUNTANCY

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2012

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2012

**WILLIAM TREACY
EXECUTIVE DIRECTOR**

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



Texas State Board of Public Accountancy

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

William Treacy, Executive Director

October 14, 2012

Honorable Rick Perry, Governor
Honorable David Dewhurst, Lieutenant Governor
Honorable Joe Straus, Speaker of the House
Honorable Susan Combs, State Comptroller
Ursula Parks, Acting Director, Legislative Budget Board
John Keel, CPA, 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, 2012, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Texas Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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

Sincerely,

TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY


WILLIAM TREACY
Executive Director

Enclosure

xc: Legislative Reference Library
Texas State Library

Administration/ Accounting (512) 305-7800	Automated Information (512) 305-7870	CPE (512) 305-7844	Enforcement (512) 305-7866	Licensing (512) 305-7853	Qualifications (512) 305-7850 (512) 305-7851	Peer Review (512) 305-7853	FAX (512) 305-7875 (512) 305-7854
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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2012

MEMBERS OF THE BOARD (As of August 31, 2012)

A. Carlos Barrera, CPA, Presiding Officer	Brownsville
James C. Flagg, PhD, CPA, Assistant Presiding Officer	College Station
David L. King, CPA, Treasurer	Lago Vista
Thomas G. Prothro, CPA, Secretary	Tyler
Catherine J. Rodewald, Executive Committee Member	Dallas
J. Coalter Baker, CPA	Austin
John R. Broaddus, CPA	El Paso
Jonathan B. Cluck, Esq.	Boerne
Rocky L. Duckworth, CPA	Houston
Everett R. Ferguson, CPA	Abilene
Jon R. Keeney	Taylor Lake Village
Evelyn Martinez, Esq.	San Antonio
Maribess L. Miller, CPA	Dallas
Steve D. Peña, CPA	Round Rock
John W. Steinberg, CFE	Marion

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Austin, Texas

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I. COMBINED FINANCIAL STATEMENTS

A. Exhibit I: Combined Balance Sheet/Statement of Net Assets –
Governmental Funds

B. Exhibit II: Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities –
Governmental Funds

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Texas State Board of Public Accountancy (457)

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

August 31, 2012

	Governmental Fund Types				Statement of Net Assets
	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	\$ 52,432.68	\$ 52,432.68	\$ -	\$ -	\$ 52,432.68
Cash in Bank (Note 3)	28,637.60	28,637.60			28,637.60
Cash in State Treasury	2,165,488.14	2,165,488.14			2,165,488.14
Cash Equivalents	3,499,673.29	3,499,673.29			3,499,673.29
Short Term Investments (Note 3)	-	-			-
Due From Other Agencies (Note 12)	-	-			-
Consumable Inventories	55,265.79	55,265.79			55,265.79
Total Current Assets	<u>5,801,497.50</u>	<u>5,801,497.50</u>	<u>-</u>	<u>-</u>	<u>5,801,497.50</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable					
Furniture and Equipment			395,021.77		395,021.77
Less Accumulated Depreciation			(172,937.81)		(172,937.81)
Vehicle, Boats, and Aircraft			16,348.14		16,348.14
Less Accumulated Depreciation			(16,348.14)		(16,348.14)
Other Capital Assets					-
Less Accumulated Depreciation					-
Receivables:					
Other Non-Current Assets		-			-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>222,083.96</u>	<u>-</u>	<u>222,083.96</u>
Total Assets	<u>\$ 5,801,497.50</u>	<u>\$ 5,801,497.50</u>	<u>\$ 222,083.96</u>	<u>\$ -</u>	<u>\$ 6,023,581.46</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	\$ 69,095.34	\$ 69,095.34	\$ -	\$ -	\$ 69,095.34
Accounts Payable	91,054.97	91,054.97			91,054.97
Payroll Payable	272,440.82	272,440.82			272,440.82
Due To Other Agencies (Note 12)	701,932.75	701,932.75			701,932.75
Employees' Compensable Leave (Note 5)	-	-		174,916.38	174,916.38
Total Current Liabilities	<u>1,134,523.88</u>	<u>1,134,523.88</u>	<u>-</u>	<u>174,916.38</u>	<u>1,309,440.26</u>
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	-	-		170,657.07	170,657.07
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,657.07</u>	<u>170,657.07</u>
Total Liabilities	<u>1,134,523.88</u>	<u>1,134,523.88</u>	<u>-</u>	<u>345,573.45</u>	<u>1,480,097.33</u>
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable	55,265.79	55,265.79			55,265.79
Committed:					
Board Policy Reserve (See Note 1.D)	1,500,000.00	1,500,000.00			1,500,000.00
Other	3,111,707.83	3,111,707.83			3,111,707.83
Total Fund Balances	<u>4,666,973.62</u> *	<u>4,666,973.62</u> *	<u>-</u>	<u>-</u>	<u>4,666,973.62</u>
Total Liabilities and Fund Balances	<u>\$ 5,801,497.50</u>	<u>\$ 5,801,497.50</u>	<u>-</u>	<u>-</u>	<u>4,666,973.62</u>
GOVERNMENT-WIDE STATEMENT OF NET ASSETS					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			222,083.96		222,083.96
Restricted					-
Unrestricted				(345,573.45)	(345,573.45)
Total Net Assets			<u>\$ 222,083.96</u> *	<u>\$ (345,573.45)</u> *	<u>\$ 4,543,484.13</u> *

* Column totals should agree to Exhibit II column totals.

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

Texas State Board of Public Accountancy (457)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds
 For the Fiscal Year Ended August 31, 2012

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Licenses, Fees & Permits	\$ 5,185,808.20	\$ 5,185,808.20			\$ 5,185,808.20
Interest and Investment Income	11,935.99	11,935.99			11,935.99
Sales of Goods and Services	-	-			-
Other	161,506.84	161,506.84			161,506.84
Total Revenues	5,359,251.03	5,359,251.03	-	-	5,359,251.03
EXPENDITURES					
Salaries and Wages	2,324,297.70	2,324,297.70		8,825.12	2,333,122.82
Payroll Related Costs	581,538.26	581,538.26			581,538.26
Professional Fees and Services	751,061.77	751,061.77			751,061.77
Travel	67,376.47	67,376.47			67,376.47
Materials and Supplies	232,771.47	232,771.47			232,771.47
Communication and Utilities	25,079.09	25,079.09			25,079.09
Repairs and Maintenance	27,583.73	27,583.73			27,583.73
Rentals & Leases	121,713.46	121,713.46			121,713.46
Printing and Reproduction	79,109.22	79,109.22			79,109.22
Claims and Judgments	-	-			-
State Grant Pass-Through Expenditures	411,924.00	411,924.00			411,924.00
Intergovernmental Payments	165,237.00	165,237.00			165,237.00
Public Assistance Payments	90,000.00	90,000.00			90,000.00
Other Expenditures	561,510.53	561,510.53			561,510.53
Capital Outlay	172,703.87	172,703.87	(172,703.87)		-
Depreciation Expense	-	-	51,868.79		51,868.79
Total Expenditures/Expenses	5,611,906.57	5,611,906.57	(120,835.08)	8,825.12	5,499,896.61
Excess (Deficiency) of Revenues Over Expenditures	<u>(252,655.54)</u>	<u>(252,655.54)</u>	<u>120,835.08</u>	<u>(8,825.12)</u>	<u>(140,645.58)</u>
OTHER FINANCING SOURCES (USES)					
Decrease in Net Assets - Property Adjustment	-	-			-
Transfers In (Note 1.F.)	74,576.94	74,576.94			74,576.94
Transfers Out (Note 1.F.)	(777,845.88)	(777,845.88)			(777,845.88)
Gain (Loss) on Disposal of Capital Assets	-	-	(25,459.50)		(25,459.50)
Total Other Financing Sources and Uses	(703,268.94)	(703,268.94)	(25,459.50)	-	(728,728.44)
SPECIAL ITEMS					
	-	-			-
EXTRAORDINARY ITEMS					
	-	-			-
Net Change in Fund Balances/Net Assets	(955,924.48)	(955,924.48)			(869,374.02)
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances, Beginning	5,622,898.10	5,622,898.10			5,622,898.10
Adjustment to Fund Balances (Restatement) Note 14	-	-			-
Fund Balances, September 1, 2011, As Adjusted	5,622,898.10	5,622,898.10			5,622,898.10
Fund Balances, August 31, 2012	<u>\$ 4,666,973.62</u>	<u>\$ 4,666,973.62</u>			<u>\$ 4,753,524.08</u>
GOVERNMENT-WIDE STATEMENT OF NET ASSETS					
Net Assets/Change in Net Assets		4,666,973.62	95,375.58	(8,825.12)	4,753,524.08
Net Assets-Beginning			126,708.38	(336,748.33)	(210,039.95)
Restatements					-
Net Assets, September 1, 2011, as Restated			126,708.38	(336,748.33)	(210,039.95)
Net Assets, August 31, 2012			<u>\$ 222,083.96</u>	<u>\$ (345,573.45)</u>	<u>\$ 4,543,484.13</u>

*Column totals should agree to Exhibit I column totals

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

II. NOTES TO THE FINANCIAL STATEMENTS

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTES TO THE FINANCIAL STATEMENTS**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. ENTITY**

The Texas State Board of Public Accountancy operates under the authority of the *Public Accountancy Act, Chapter 901 of the Texas Occupations Code (West 2011)*. 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 Operating Trust Fund (0858)

Senate Bill 1438 (1999) was passed and signed into law in 1999, now *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. The Texas State Board of Public Accountancy operates under Fund 0858, Board of Public Accountancy Operating Trust Fund. For the fiscal year ending August 31, 2009, the Texas Comptroller of Public Accounts staff advised this agency to report this fund as a General Fund departing from the past practice of reporting this fund as a Special Revenue Fund.

TSBPA Scholarship Fund for Fifth-Year Accounting Students (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

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

licensees to be deposited into the scholarship trust fund, which may be used only to provide scholarships to fifth-year accounting students in accordance with *Subchapter N* of the *Education Code*.

With passage of House Bill 2440 during the 2009 legislative session, responsibility for administering the Fifth-year Accounting Students Scholarship Fund was transferred from the Texas Higher Education Coordinating Board (THECB) to the Texas State Board of Public Accountancy. Authority for the transfer went into effect on September 1, 2010. The Board worked closely with THECB to put rules and procedures in place and assumed full responsibility on January 1, 2010. The Board also tripled the amount of funds available for at least the next two school years, making possible larger grants to a larger number of students. Funds derived from a \$10 (legislatively mandated) fee added to each Texas CPA's annual license renewal.

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 scholarship fund is now 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).

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.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the Government-wide Financial Statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments 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 the Self-Directed Semi-Independent Project Act, an itemized budget covering operations for the year is prepared by the Board's staff and approved by the Board. During the year, the Board's financial activity is monitored against this budget.

D. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash Equivalents

Invested balances in the overnight repurchase agreement pool are reported as a 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 assess an administrative penalty against respondents involved in disciplinary proceedings in accordance with *Section 901.551, Occupations Code*. As of August 31, 2012, \$113,022.50 in penalties was outstanding and unpaid. Since the certainty and timing of these receipts is unknown, they are not included as part of

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Accounts Receivable on the Balance Sheet (Exhibit I). Rather, they are recorded as revenues when payments are received.

Consumable Inventories

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

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave

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

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Nonspendable

This represents the amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The amount of supplies and postage on hand at year-end to be used in the next fiscal year is included in this category.

Unassigned

This represents the residual classification for the general fund. This classification represents fund balance that was not assigned to the other funds and was not restricted, committed or assigned to specific purposes within the general fund.

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	100,000
Total Fund Balance Reserve	<u>\$1,500,000</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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

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 the two preceding categories. 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 includes the license, examination, and other fees collected by the Board.

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

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

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

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

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

F. INTERFUND ACTIVITIES AND BALANCES

TRANSFERS

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

Fund 0001

Transfers In – None
Transfers Out – None

Fund 7106

Transfers In - includes the following:

Transfer from agency 781, Fund 0106	\$75.06	a
Transfer from agency 457, Fund 0858	\$74,501.88	b
Total Transfers In	<u>\$74,576.94</u>	

Transfers Out – None

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Fund 0858**Transfers Out** - includes the following:

Transfer to agency 901, Fund 0001	\$703,344.00	c
Transfer to agency 457, Fund 7106	\$74,501.88	d
Total Transfers Out	<u>\$777,845.88</u>	

- a. Transfer of remaining amount in Fund 0106 from the Texas Higher Education Coordinating Board (agency781).
- b. Transfer of administrative penalties from Fund 0858, Texas State Board of Public Accountancy (agency 457) pursuant to TSBPA Rule 519.8 (e) which dedicates administrative penalties collected under SUBCHAPTER L of the *Public Accountancy Act* to the scholarship fund authorized under SUBCHAPTER N of *the Act*. The effective date of Board Rule 519.8 (e) was December 7, 2011].
- c. Transfer of annual payment to General Revenue (Agency 902, Fund 0001) pursuant to *Article 8930, Section 6(c)*.
- d. See note b.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 2: CAPITAL ASSETS

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

	PRIMARY GOVERNMENT						Balance 8/31/2012	
	Balance 9/1/2011	Adjustments	Reclassifications		Additions*	Deletions		
			Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
Governmental Activities:								
Depreciable Assets:								
Furniture and Equipment	\$378,241.94					172,703.87	(155,924.04)	395,021.77
Vehicles, Boats & Aircraft	<u>16,348.14</u>					<u>0.00</u>	<u>0.00</u>	<u>\$16,348.14</u>
Total Depreciable Assets at historical costs:	394,590.08					172,703.87	(155,924.04)	\$411,369.91
Less accumulated depreciation for:								
Furniture and Equipment	(251,533.56)					(51,868.79)	130,464.54	(\$172,937.81)
Vehicle, Boats & Aircraft	<u>(16,348.14)</u>					<u>0.00</u>	<u>0.00</u>	<u>(\$16,348.14)</u>
Total accumulated depreciation	(267,881.70)					(51,868.79)	130,464.54	(\$189,285.95)
Depreciable assets, Net	<u>126,708.38</u>					<u>(120,838.08)</u>	<u>(25,459.50)</u>	<u>222,083.96</u>
Governmental Activities Capital Assets, Net	<u>\$126,708.38</u>					<u>(\$120,835.08)</u>	<u>(\$25,459.50)</u>	<u>\$222,083.96</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, 2012, the carrying amount of deposits was \$31,216.58 as presented below:

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING VALUE	
Texas Treasury Safekeeping Trust Company	\$28,637.60
Cash in Bank per AFR	\$28,637.60

Governmental Funds Current Assets Cash In Bank		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 8,900.00
GAAP Fund 0858, D23 Fund 0858	Exhibit A-1	\$ 19,327.60
GAAP Fund 0858, D23 Fund 7106	Exhibit A-1	<u>\$ 410.00</u>
Cash in Bank per AFR		<u>\$ 28,637.60</u>

B. INVESTMENTS & REPURCHASE AGREEMENTS

As of August 31, 2012, the carrying value and fair value of investments and repurchase agreements are as presented below.

Governmental and Business-Type Activities	Carrying Value	Fair Value
Repurchase Agreements		
Texas Treasury Safekeeping Trust Company	\$3,499,673.29	\$3,499,673.29
Total	\$3,499,673.29	\$3,499,673.29

Governmental Funds Current Assets Cash Equivalents		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 667,132.75
GAAP Fund 0858, D23 Fund 0858	Exhibit A-1	\$2,667,074.72
GAAP Fund 0858, D23 Fund 7106	Exhibit A-1	<u>\$ 165,465.82</u>
Current Assets Cash Equivalents per AFR		<u>\$3,499,673.29</u>

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, 2012, the following changes occurred in long-term liabilities.

GOVERNMENTAL ACTIVITIES	BALANCE 9/1/2011	ADDITIONS*	REDUCTIONS	BALANCE 8/31/2012	AMOUNTS DUE WITHIN ONE YEAR
Notes and Loans Payable	N/A	N/A	N/A	N/A	N/A
General Obligation B/P	N/A	N/A	N/A	N/A	N/A
Revenue Bonds Payable	N/A	N/A	N/A	N/A	N/A
Claims and Judgments	N/A	N/A	N/A	N/A	N/A
Capital Lease Obligations	N/A	N/A	N/A	N/A	N/A
Pollution Remediation Obligations	N/A	N/A	N/A	N/A	N/A
Compensable Leave	\$336,748.33	\$226,523.42	\$217,698.30	\$345,573.45	\$174,916.38
TOTAL GOVERNMENTAL ACTIVITIES	\$336,748.33	\$226,523.42	\$217,698.30	\$345,573.45	\$174,916.38

- The additions column includes salary adjustments at 9/1/11.

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.

The following is a summary of changes in annual and compensatory balances for the year ended August 31, 2012, which reflects employee's accrued rights to future compensated absences. Changes and balances are stated in terms of hours.

	Annual <u>Leave</u>	FLSA & State <u>Comp Time</u>	<u>Totals</u>
Compensable Leave Hours (09/01/11)	10,164.27	439.55	10,603.82
Additions	6,291.15	1,185.44	7,476.59
Deductions	<u>(6,266.03)</u>	<u>(1,208.07)</u>	<u>(7,474.10)</u>
Compensable Leave Hours (08/31/12)	<u>10,189.39</u>	<u>416.92</u>	<u>10,606.31</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE: FLSA hours accumulated are 1 1/2 times hours worked.

The Board's monetary liabilities for compensable future absences as of August 31, 2012, as computed by USPS Report 574 (Compensable Leave Report for Fiscal Year 2012), were as follows:

	General Long-term Debt <u>Account Group</u>
Annual Leave	\$334,005.97
FLSA & State Compensable Time	<u>11,567.48</u>
Total	<u>\$345,573.45</u> (Exhibit I)

NOTE 6: BONDED INDEBTEDNESS

Not applicable.

NOTE 7: DERIVATIVE INSTRUMENTS

Not applicable.

NOTE 8: LEASES

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

Fund Type	Amount
General Fund	\$21,346.93

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

Year End Aug. 31,	
2013 (Future Year 1)	20,100.00
2014 (Future Year 2)	<u>20,100.00</u>
Total Minimum Future Lease Payments	<u>\$ 40,200.00</u>

NOTE 9: PENSION PLANS

The State has joint contributory retirement plans for substantially all 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.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 10: DEFERRED COMPENSATION

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

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

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

NOTE 11: POSTEMPLOYMENT 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).

Interfund Receivable/Payable activity at August 31, 2012, follows:

Due From/Due To Other Agencies	Due From Other Agencies	Due To Other Agencies	Source
GENERAL (01)			
Agency 902, GAAP Fund 0001		\$701,932.75	A
Total Due From/To Other Agencies (EXH. I)		\$701,932.75	

^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).

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 Texas State Board of Public Accountancy was continued as a separate agency of Texas state government.

Under the *Texas Sunset Act*, the Board will be abolished effective September 1, 2015, unless legislatively continued. If abolished, the Board may continue until September 1, 2016, to close out its operations. This information may be verified with the Sunset Review Commission at (512) 463-1300.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Not Applicable.

NOTE 15: CONTINGENCIES AND COMMITMENTS

Sick leave, the accumulation of which is unlimited, is earned at the rate of 8 hours per month, and is taken only in the event of illness or paid to the estate of an employee in the event of their death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. Such payments are recognized as expenditures of governmental funds when paid. The contingent liability for future compensation of sick leave, based on accumulated sick leave balances as of August 31, 2012, was not considered material in relation to the Board's total financial position.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

Not applicable.

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

Senate Bill 1438 was passed and signed into law in 1999, now *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. Some of the basic points of the project 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).
- Applicable agencies continue to collect and remit the \$200 annual professional fee for the General Revenue Fund.
- 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.

HB 3249, 80th Legislature (2007), allows the Board and the two other agencies in the pilot project to continue operating as self-directed, semi-independent agencies until September 1, 2013.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

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

NOTE 19: THE FINANCIAL REPORTING ENTITY

No component units have been identified for this agency.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

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

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**A. TAXES RECEIVABLE**

Not applicable.

B. FEDERAL RECEIVABLE

Not applicable.

C. TAX REFUNDS PAYABLE

Not applicable.

D. OTHER RECEIVABLES – NONCURRENT

Not applicable.

E. OTHER PAYABLES – CURRENT

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 25: TERMINATION BENEFITS

A. VOLUNTARY TERMINATIONS

Not applicable.

B. INVOLUNTARY TERMINATIONS

Not applicable.

NOTE 26: SEGMENT INFORMATION

Not applicable.

**III. COMBINING STATEMENTS
AND
SCHEDULES**

Texas State Board of Public Accountancy (457)
Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 August 31, 2012

	General			Total (EXH I)
	(1000) U/F(1002)	(0858) U/F (0858/8858)	(0858) U/F(7106/8106)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 25,900.00	\$ 25,312.68	\$ 1,220.00	\$ 52,432.68
Cash in Bank (Note 3)	8,900.00	19,327.60	410.00	28,637.60
Cash in State Treasury		1,079,890.99	1,085,597.15	2,165,488.14
Cash Equivalents	667,132.75	2,667,074.72	165,465.82	3,499,673.29
Short Term Investments (Note 3)				-
Consumable Inventories		55,265.79		55,265.79
Due From Other Agencies (Note 12)				-
Total Current Assets	701,932.75	3,846,871.78	1,252,692.97	5,801,497.50
Non-Current Assets:				
Restricted:				
Cash and Cash Equivalents:				
Other Non-Current Assets				
Total Non-Current Assets	-	-	-	-
Total Assets	\$ 701,932.75	\$ 3,846,871.78	\$ 1,252,692.97	\$ 5,801,497.50
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable		69,095.34		69,095.34
Accounts Payable		91,054.97		91,054.97
Payroll Payable		272,440.82		272,440.82
Due To Other Agencies (Note 12)	701,932.75			701,932.75
Total Current Liabilities	701,932.75	432,591.13	-	1,134,523.88
Non-Current Liabilities:				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	701,932.75	432,591.13	-	1,134,523.88
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable				
		55,265.79		55,265.79
Committed:				
Board Policy Reserve (See Note 1.D)		1,500,000.00		1,500,000.00
Other		1,859,014.86	1,252,692.97	3,111,707.83
Total Fund Balances	-	3,414,280.65	1,252,692.97	4,666,973.62
Total Liabilities and Fund Balances	\$ 701,932.75	\$ 3,846,871.78	\$ 1,252,692.97	\$ 5,801,497.50

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

Texas State Board of Public Accountancy (457)
Exhibit A-2 - Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2012

	General		Total (EXH II)
	(0858) U/F (0858/8858)	(0858) U/F (7106/8106)	
REVENUES			
Licenses, Fees & Permits	4,533,616.85	652,191.35	5,185,808.20
Interest and Investment Income	11,935.99		11,935.99
Sales of Goods and Services	-		-
Other	156,423.07	5,083.77	161,506.84
Total Revenues	4,701,975.91	657,275.12	5,359,251.03
EXPENDITURES			
Salaries and Wages	2,324,297.70		2,324,297.70
Payroll Related Costs	581,538.26		581,538.26
Professional Fees and Services	751,061.77		751,061.77
Travel	67,376.47		67,376.47
Materials and Supplies	232,771.47		232,771.47
Communication and Utilities	25,079.09		25,079.09
Repairs and Maintenance	27,583.73		27,583.73
Rentals and Leases	121,713.46		121,713.46
Printing and Reproduction	79,109.22		79,109.22
Claims and Judgments	-		-
State Grant Pass-Through Expenditures	-	411,924.00	411,924.00
Intergovernmental Payments	-	165,237.00	165,237.00
Public Assistance Payments	90,000.00		90,000.00
Other Expenditures	561,510.53		561,510.53
Capital Outlay	172,703.87		172,703.87
Depreciation Expense	-		-
Total Expenditures/Expenses	5,034,745.57	577,161.00	5,611,906.57
Excess (Deficiency) of Revenues Over Expenditures	(332,769.66)	80,114.12	(252,655.54)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets			-
Transfers In (Note 1.F.)		74,576.94	74,576.94
Transfers Out (Note 1.F.)	(777,845.88)		(777,845.88)
Total Other Financing Sources and Uses	(777,845.88)	74,576.94	(703,268.94)
SPECIAL ITEMS			
			-
EXTRAORDINARY ITEMS			
			-
Net Change in Fund Balances/Net Assets	(1,110,615.54)	154,691.06	(955,924.48)
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances, Beginning	4,524,896.19	1,098,001.91	5,622,898.10
Adjustment to Fund Balances (Restatement) Note 14			-
Fund Balances, September 1, 2011	4,524,896.19	1,098,001.91	5,622,898.10
			-
Fund Balances, August 31, 2012	<u>\$ 3,414,280.65</u>	<u>\$ 1,252,692.97</u>	<u>\$ 4,666,973.62</u>

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

Texas State Board of Public Accountancy (457)
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities -
Agency Funds
August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (1000) U/F (0002)				
ASSETS				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	12,210,080.35	12,210,080.35	-
Short Term Investments	-	-	-	-
Interfund Receivable	-	-	-	-
Total Assets	\$ -	\$ 12,210,080.35	\$ 12,210,080.35	\$ -
LIABILITIES				
Current				
Payables	\$ -	\$ 7,476.67	\$ 7,476.67	\$ -
Funds Held for Others	-	12,210,080.35	12,210,080.35	-
Total Liabilities	\$ -	\$ 12,217,557.02	\$ 12,217,557.02	\$ -
Texasaver Hold-Transmit 401K (0942) U/F (0942)				
ASSETS				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	-	-	-
Accounts Receivable, net	-	13,575.04	13,575.04	-
Total Assets	\$ -	\$ 13,575.04	\$ 13,575.04	\$ -
LIABILITIES				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	-	27,150.08	27,150.08	-
Total Liabilities	\$ -	\$ 27,150.08	\$ 27,150.08	\$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	12,210,080.35	12,210,080.35	-
Short Term Investments	-	-	-	-
Accounts Receivable, net	-	13,575.04	13,575.04	-
Interfund Receivable	-	-	-	-
Total Assets	\$ -	\$ 12,223,655.39	\$ 12,223,655.39	\$ -
LIABILITIES				
Current				
Payables	\$ -	\$ 7,476.67	\$ 7,476.67	\$ -
Funds Held for Others	-	12,237,230.43	12,237,230.43	-
Total Liabilities	\$ -	\$ 12,244,707.10	\$ 12,244,707.10	\$ -

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

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, 2012

State Pass-Through Grants To:

5th Yr Accounting Students Scholarship Program

735	Midwestern State University	\$	5,000.00
753	Sam Houston State University		14,544.00
755	Stephen F. Austin State University		10,500.00
711	Texas A&M University		36,662.00
760	Texas A&M University - Corpus Christi		9,272.00
761	Texas A&M University - International		3,000.00
732	Texas A&M University - Kingsville		1,728.00
764	Texas A&M University - Texarkana*		(7,468.00)
717	Texas Southern University		13,035.00
754	Texas State University - San Marcos		18,000.00
733	Texas Tech University		17,646.00
731	Texas Woman's University		4,086.00
784	University of Houston		10,000.00
759	University of Houston - Clear Lake		20,217.00
730	University of Houston - University Park		70,500.00
752	University of North Texas*		5,000.00
736	University of Texas - Pan American		16,000.00
714	University of Texas at Arlington		21,546.00
721	University of Texas at Austin		49,728.00
738	University of Texas at Dallas		47,500.00
724	University of Texas at El Paso		15,000.00
743	University of Texas at San Antonio		20,859.00
750	University of Texas at Tyler		3,000.00
742	University of Texas of the Permian Basin*		(559.00)
757	West Texas A&M University		7,128.00

Total State Pass-Through Grants To Other Agencies (Exh. II)

\$ 411,924.00

* Includes FY 11 refunds returned in FY 12

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Texas State Board of Public Accountancy (457)
Schedule 4 - Schedule of Modified to Full Accrual Adjustments - Governmental Funds
- Balance Sheet/Statement of Net Assets
August 31, 2012

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
Cash On Hand	\$ 52,432.68	\$ -	\$ -	\$ 52,432.68
Cash In Bank (Note 3)	28,637.60			28,637.60
Cash In State Treasury	2,165,488.14			2,165,488.14
Cash Equivalents (Note 3)	3,499,673.29			3,499,673.29
Short Term Investments (Note 3)				-
Due From Other Agencies (Note 12)	-			-
Consumable Inventories	55,265.79			55,265.79
Total Current Assets	\$ 5,801,497.50	\$ -	\$ -	\$ 5,801,497.50
Non-Current Assets:				
Interfund Receivables				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment		395,021.77		395,021.77
Less Accumulated Depreciation		(172,937.81)		(172,937.81)
Vehicle, Boats and Aircraft		16,348.14		16,348.14
Less Accumulated Depreciation		(16,348.14)		(16,348.14)
Total Non-Current Assets	\$ -	\$ 222,083.96	\$ -	\$ 222,083.96
Total Assets	\$ 5,801,497.50	\$ 222,083.96	\$ -	\$ 6,023,581.46
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables From				
Vouchers	69,095.34			69,095.34
Accounts	91,054.97			91,054.97
Payroll	272,440.82			272,440.82
Due To Other Agencies (Note 12)	701,932.75			701,932.75
Employees' Compensable Leave (Note 5)			174,916.38	174,916.38
Total Current Liabilities	\$ 1,134,523.88	\$ -	\$ 174,916.38	\$ 1,309,440.26
Non-Current Liabilities				
Employees' Compensable Leave (Note 5)	-		170,657.07	170,657.07
Total Non-Current Liabilities	\$ -	\$ -	\$ 170,657.07	\$ 170,657.07
Total Liabilities	\$ 1,134,523.88	\$ -	\$ 345,573.45	\$ 1,480,097.33
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	55,265.79			55,265.79
Committed:				
Board Policy Reserve (See Note 1.D)	\$ 1,500,000.00			1,500,000.00
Other	3,111,707.83			3,111,707.83
Total Fund Balances	4,666,973.62			4,666,973.62
Total Liabilities and Fund Balances	\$ 5,801,497.50			
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt		222,083.96		222,083.96
Unrestricted			(345,573.45)	(345,573.45)
Total Net Assets		\$ 222,083.96	\$ (345,573.45)	\$ 4,543,484.13

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

Texas State Board of Public Accountancy (457)
Schedule 4 - Schedule of Modified to Full Accrual Adjustments - Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities
For the Fiscal Year Ended August 31, 2012

	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES				
License, Fees & Permits	\$ 5,185,808.20			\$ 5,185,808.20
Interest and Other Investment Income	11,935.99			11,935.99
Sales of Goods and Services				-
Other	161,506.84			161,506.84
Total Revenues	<u>\$ 5,359,251.03</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,359,251.03</u>
EXPENDITURES				
Salaries and Wages	2,324,297.70		8,825.12	2,333,122.82
Payroll Related Costs	581,538.26			581,538.26
Professional Fees and Services	751,061.77			751,061.77
Travel	67,376.47			67,376.47
Materials and Supplies	232,771.47			232,771.47
Communication and Utilities	25,079.09			25,079.09
Repairs and Maintenance	27,583.73			27,583.73
Rentals and Leases	121,713.46			121,713.46
Printing and Reproduction	79,109.22			79,109.22
Claims and Judgments	-			-
State Grant Pass-Through Expenditures	411,924.00			411,924.00
Intergovernmental Payments	165,237.00			165,237.00
Public Assistance Payments	90,000.00			90,000.00
Other Expenditures	561,510.53			561,510.53
Capital Outlay	172,703.87	(172,703.87)		-
Depreciation Expense	-	51,868.79		51,868.79
Total Expenditures/Expenses	<u>\$ 5,611,906.57</u>	<u>\$ (120,835.08)</u>	<u>\$ 8,825.12</u>	<u>\$ 5,499,896.61</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (252,655.54)</u>	<u>\$ 120,835.08</u>	<u>\$ (8,825.12)</u>	<u>\$ (140,645.58)</u>
OTHER FINANCING SOURCES (USES)				
Decrease in Net Assets - Property Adjustment				-
Transfers In (Note 1.F.)	74,576.94			74,576.94
Transfers Out (Note 1.F.)	(777,845.88)			(777,845.88)
Gain (Loss) on Disposal of Capital Assets		(25,459.50)		(25,459.50)
Total Other Financing Sources (Uses)	<u>\$ (703,268.94)</u>	<u>(25,459.50)</u>	<u>-</u>	<u>\$ (728,728.44)</u>
SPECIAL ITEMS				
EXTRAORDINARY ITEMS				
Net Change in Fund Balances/Net Assets	<u>\$ (955,924.48)</u>			<u>\$ (869,374.02)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, Beginning	\$ 5,622,898.10			\$ 5,622,898.10
Adjustment to Fund Balances (Restatement) Note 14	-			-
Fund Balances, September 1, 2011, As Adjusted	<u>\$ 5,622,898.10</u>			<u>\$ 5,622,898.10</u>
Fund Balances, August 31, 2012	<u>\$ 4,666,973.62</u>			<u>\$ 4,753,524.08</u>
Government-Wide Statement of Net Assets				
Net Assets/Net Change in Net Assets	\$ 4,666,973.62	95,375.58	(8,825.12)	\$ 4,753,524.08
Net Assets, Beginning		126,708.38	(336,748.33)	(210,039.95)
Restatements				-
Net Assets, September 1, 2011, as Restated		<u>126,708.38</u>	<u>(336,748.33)</u>	<u>(210,039.95)</u>
Net Assets as of August 31, 2012		<u>\$ 222,083.96</u>	<u>\$ (345,573.45)</u>	<u>\$ 4,543,484.13</u>

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

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IV. ADDENDA

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ADDENDAORGANIZATION OF THE BOARD

The Texas State Board of Public Accountancy operates under the authority of the *Public Accountancy Act, Chapter 901 of the Texas Occupations Code (West 2011)*. 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 ten members shall be Certified Public Accountants, 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 Certified Public Accountants and who are not financially involved in an organization subject to Board regulation.

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

Members of the Board as of August 31, 2012, were:

<u>NAME</u>	<u>RESIDENCE</u>	<u>TERM EXPIRES JANUARY 31,</u>
A. Carlos Barrera, CPA, Presiding Officer	Brownsville	2013
James C. Flagg, PhD, CPA, Assistant Presiding Officer	Brenham	2015
David L. King, CPA, Treasurer	Lago Vista	2013
Thomas G. Prothro, CPA, Secretary	Tyler	2015
Catherine J. Rodewald, Executive Committee Member	Dallas	2017
J. Coalter Baker, CPA	Austin	2017
John R. Broaddus, CPA	El Paso	2017
Jonathan B. Cluck, Esq.	Fair Oaks Ranch	2017
Rocky L. Duckworth, CPA	Houston	2017
Everett R. Ferguson, CPA	Abilene	2015
Jon R. Keeney	Taylor Lake Village	2015
Evelyn M. Martinez, Esq.	San Antonio	2013
Maribess L. Miller, CPA	Dallas	2015
Steve D. Peña, CPA	Georgetown	2013
John W. Steinberg, CFE	Marion	2013

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

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

LICENSING AND QUALIFICATIONS

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

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

Certification - The Board certifies:

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

Registration - The Board requires registration of the following entities:

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

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

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

Continuing Professional Education - CPAs are required to comply with the Board's program of mandatory continuing professional education.

Sponsor Review Program - The sponsor review program is charged with ensuring that CPE sponsors are in compliance with the Board's requirements. The program will monitor Board registered CPE sponsors and their courses with the goal of emphasizing high quality education and compliance with professional standards.

Peer Review - The Board has promulgated 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.

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

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

PUBLIC EDUCATION

The Board operates a coordinated system of public information to provide all interested parties with information concerning the *Public Accountancy Act*, as well as Board rules and procedures pertaining to qualification, examination, licensing and peer review.

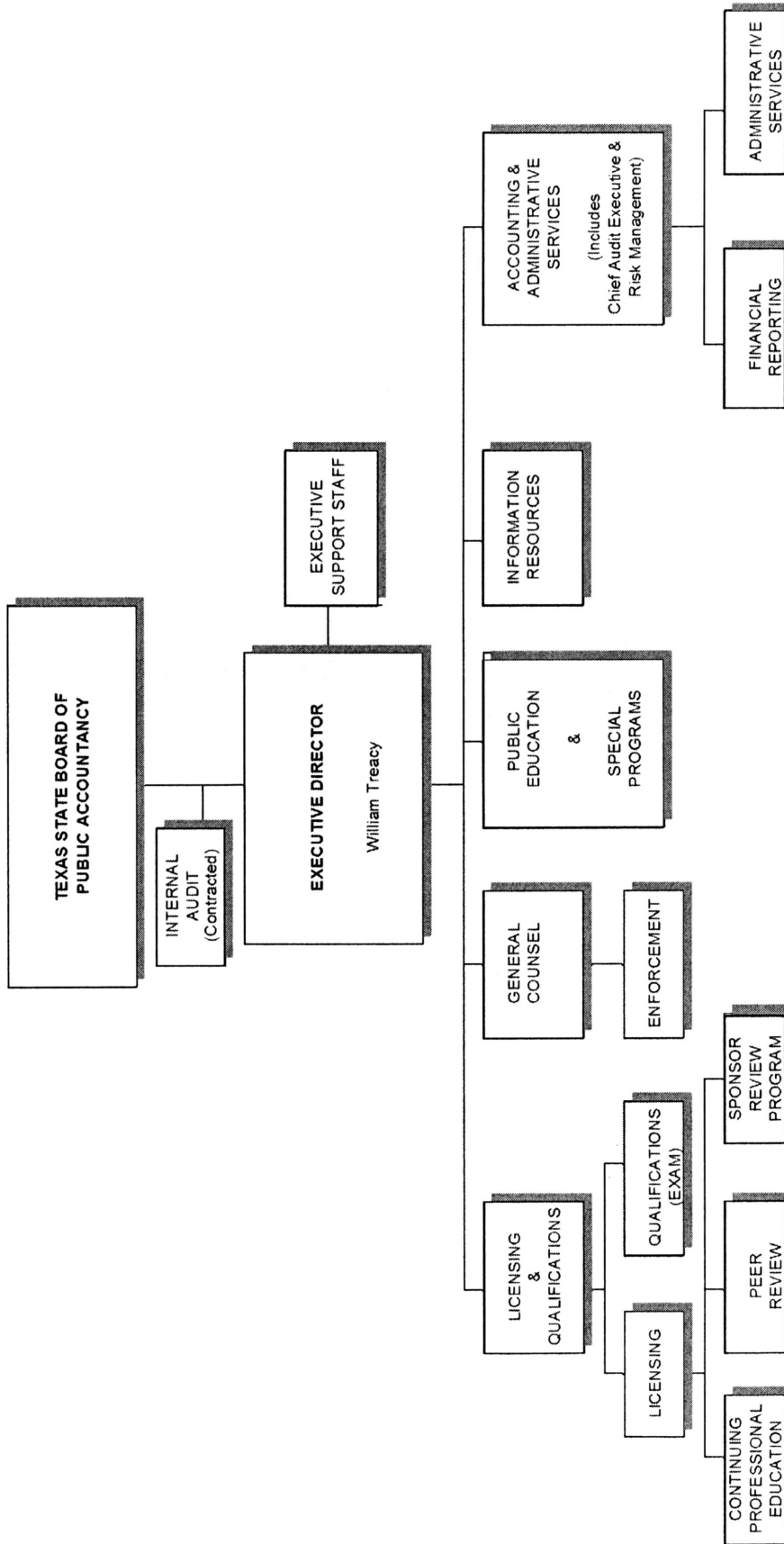
SCHOLARSHIPS FOR FIFTH-YEAR ACCOUNTING STUDENTS

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 Accountancy Board. The funds are derived from a \$10 fee (also legislatively mandated) that is added to each Texas CPA's annual license renewal.

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

The Board has passed a rule which provides for the transfer of administrative penalties collected under SUBCHAPTER L of the *Public Accountancy Act* to the scholarship fund authorized under SUBCHAPTER N of the Act.

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, 2012.

EMPLOYED AT AUGUST 31, 2012

Brenner Allen	Legal Assistant III
Erin Bigler	Investigator I
Sandra Bradshaw	Inspector III
Josephine Briones	Administrative Assistant II
Roel Cantu	Program Specialist I
Alexis Castillo	Accountant I
Ismael Castillo, Jr.	Executive Assistant I
Jennifer Costilla	Inspector III
Melinda Curtis	Administrative Assistant III
Karen Davis	Systems Analyst VI
Patrick Doré	Administrative Assistant II
Tiffney Duncan	Inspector II
Jeffery Ezell	Administrative Assistant II
Rhonda Fellner	Inspector II
Jackie Frazier	Accountant V
Sharon Gundlach	Inspector III
Gilbert Gutierrez	Program Specialist I
Meloni Haggerton	Administrative Assistant II
James Hamilton	Director I
Alan Hermanson	Dir. of Administrative Services/CFO
Jerry Hill	General Counsel IV
Donna Hiller	Director I
Jean Ickes	Program Specialist I
Melissa Jamison	Administrative Assistant II
John Kays	Inspector III
V. Jean Keith	Director I
Betty Lackey	Administrative Assistant I
Maria Lagunas	Staff Services Officer II
Marissa Mahoney	Investigator II
Kyle McGaw	Systems Analyst IV
Virginia Moher	Attorney IV
Patrick Myers	Attorney IV
Karen New	Administrative Assistant IV
Jessica Plata	Program Specialist I
Marisa Rios	Legal Assistant I
Anthony Sanchez	Inspector III
Lorna Schwimmer	Accountant II
April Serrano	Program Specialist I
C. Lewis Smalley	Systems Analyst IV
Barbara Stooksberry	Information Specialist III
William Treacy	Executive Director
Maria Turner	Administrative Assistant IV
Margaret Warpenburg	Systems Analyst IV

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

STATISTICAL INFORMATIONREGISTRATION AND LICENSURE**Current Statistics**

The number of licenses issued by the Board in fiscal years 2012 and 2011 were as follows:

	<u>AUGUST 31,</u>	
	<u>2012</u>	<u>2011</u>
Certified Public Accountants	67,942	66,686
Public Accountants	6	6
Offices	9,970	10,040
Other States/Foreign Countries	<u>58</u>	<u>59</u>
Total Licenses	<u>77,976</u>	<u>76,791</u>

The number of firms practicing public accountancy in Texas at the end of fiscal years 2012 and 2011 were as follows:

	<u>AUGUST 31,</u>	
	<u>2012</u>	<u>2011</u>
Corporations	3,357	3,266
Partnerships	550	555
Sole Proprietorships	<u>5,741</u>	<u>5,928</u>
Total Firms*	<u>9,648</u>	<u>9,749</u>

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

The number of individuals certified or registered by the Board in fiscal years 2012 and 2011 were as follows:

	<u>AUGUST 31,</u>	
	<u>2011</u>	<u>2010</u>
CPA Certifications	1,751	1,839
Reciprocity	<u>318</u>	<u>288</u>
Total Certifications and Registrations	<u>2,069</u>	<u>2,127</u>

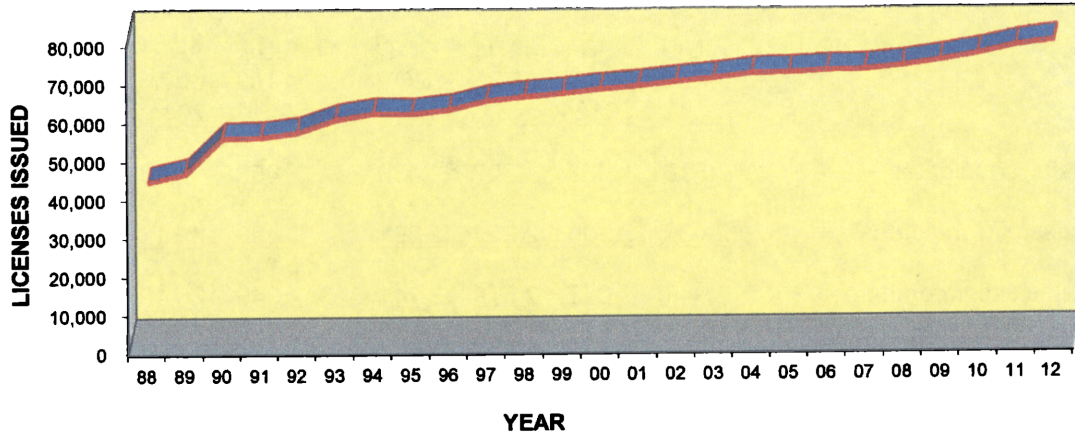
Statistical Trends

As shown in Table I, the number of licensees governed by the Texas State Board of Public Accountancy has increased by 85.2%, from 42,104 in 1988 to 77,976 in 2012. Note that between 1989 and 1990, the number of licensees increased by 20%. In 1990, the Board began licensing each office for all Texas firms and required sole proprietorships to be licensed.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE I

LICENSES ISSUED FROM 1988 TO 2012



<u>YEAR</u>	<u>TOTAL LICENSES</u>	<u>INCREASE OVER PREVIOUS YEAR</u>
1988	42,104	1.09%
1989	44,347	5.33%
1990	53,478	20.59%
1991	53,706	0.43%
1992	54,952	2.32%
1993	58,235	5.97%
1994	59,787	2.67%
1995	59,668	-0.20%
1996	60,785	1.87%
1997	63,091	3.79%
1998	64,105	1.61%
1999	64,874	1.20%
2000	65,932	1.63%
2001	66,719	1.19%
2002	67,763	1.56%
2003	68,651	1.31%
2004	69,857	1.76%
2005	70,081	0.32%
2006	70,577	0.71%
2007	70,798	0.31%
2008	71,715	1.30%
2009	73,116	1.95%
2010	74,720	2.19%
2011	76,791	2.77%
2012	77,976	1.54%

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

QUALIFICATIONS**Current Statistics**

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

	CPA EXAM TESTING WINDOWS							
	FY 12				FY 11			
	JUL/ AUG <u>2012</u>	APR/ MAY <u>2012</u>	JAN/ FEB <u>2012</u>	OCT/ NOV <u>2011</u>	JUL/ AUG <u>2011</u>	APR/ MAY <u>2011</u>	JAN/ FEB <u>2011</u>	OCT/ NOV <u>2010</u>
Total Successful Candidates *	518	453	327	450	453	438	281	692
Total Unsuccessful Candidates	<u>2,431</u>	<u>2,200</u>	<u>2,252</u>	<u>2,291</u>	<u>2,493</u>	<u>2,311</u>	<u>1,953</u>	<u>3,154</u>
Total Candidates sitting for the Examination	<u>2,949</u>	<u>2,653</u>	<u>2,579</u>	<u>2,741</u>	<u>2,946</u>	<u>2,749</u>	<u>2,234</u>	<u>3,846</u>

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

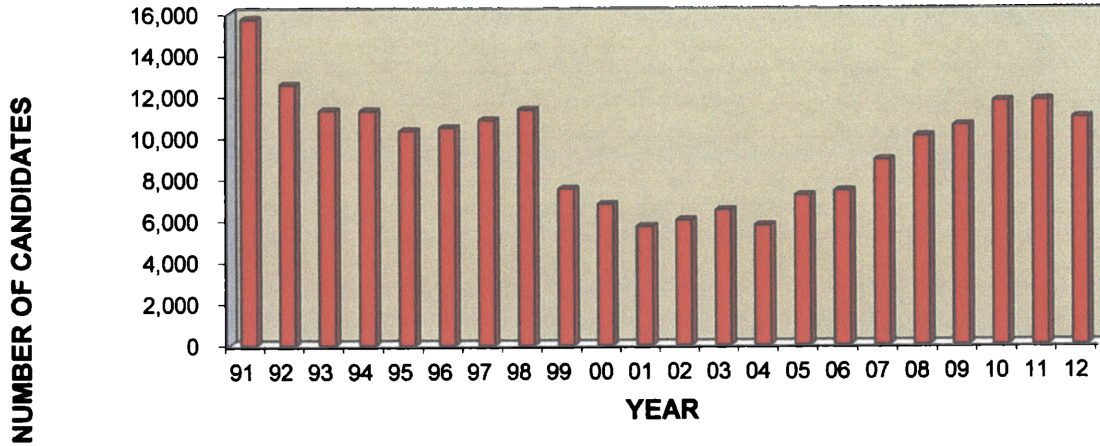
Candidates Sitting for the CPA Exam

A candidate can be counted in multiple testing windows during a fiscal year. The number of examination candidates decreased from 11,775 in 2011 to 10,922 in 2012. (See Table II)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE II

**CANDIDATES TAKING THE CPA EXAM
FROM 1991 TO 2012**



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

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ENFORCEMENT

COMPLAINTS OPENED

During this period, the Board issued 74 Cease and Desist Orders against individuals who were misrepresenting themselves to be accountants.

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

From September 1, 2011 through August 31, 2012, the Board opened 3,475 investigative files against licensees and non-licensees alleged to be in violation of the *Public Accountancy Act*. Of those complaints, 1,544 remained open at year end. The pending cases consist of 1,076 administrative complaints and 468 disciplinary complaints. All 468 disciplinary complaints will require committee and Board review.

Complaints originated from the following sources:

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

FEDERAL AGENCIES		STATE AGENCIES		OTHER
Securities and Exchange Commission	3	Kansas Board of Accountancy	1	
Public Company Accounting Oversight Board	2	Oklahoma Accountancy Board	2	
Internal Revenue Service	1			

COMPLAINTS CLOSED

From September 1, 2011 through August 31, 2012, the Board closed 3,640 complaints. The average time to close a complaint during fiscal year 2012 was 5.32 months. The disposition of these complaints is presented in the following chart:

DISPOSITION	NUMBER OF COMPLAINTS CLOSED
Administrative Complaints:	
Voluntary Compliance	2,372
Dismissed	130
Revoked	257
Suspension	156
Public Reprimand	9
Other	14
Limited Scope	1
Probation	2
Total Administrative Complaints	<u>2,941</u>
Disciplinary Complaints:	
Voluntary Compliance	394
Dismissed	142
Revoked (Includes involuntary surrender)	15
Suspension	6
Public Reprimand	18
Other	115
Limited Scope	5
Probation	4
Total Disciplinary Complaints	<u>699</u>
Total	<u>3,640</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

The complaints closed in fiscal year 2012 contained alleged and actual violations set forth in the chart below. Many complaints contained more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
501.53	Applicability of Rules of Professional Conduct	4	0	0	0	60.33
501.60	Auditing Standards	25	0	9	0	30.96
501.61	Accounting Principles	14	0	3	0	48.42
501.62	Other Professional Standards	6	0	1	0	33.13
501.63	Reporting Standards	2	0	0	0	7.53
501.70	Independence	9	0	0	0	31.08
501.71(c)	Other Compensation	1	0	1	0	39.23
501.73	Integrity and Objectivity	76	0	0	0	10.39
501.74	Competence	115	0	17	0	12.13
501.74 (a)	Competence	1	0	1	0	62.80
501.74 (b)	Competence	6	0	3	0	20.28
501.75	Confidential Client Communications	8	0	2	0	7.97
501.76	Records and Workpapers	40	0	0	0	8.47
501.77	Acting Through Others	9	0	0	0	5.41
501.78	Withdrawal or Resignation	4	0	0	0	32.63
501.80	Annual License	0	10	0	5	11.16
501.81	Firm License Requirements	0	34	0	12	8.91
501.81 (d)	Firm License Requirements	1	0	1	0	26.20
501.82	Advertising	11	0	0	0	3.62
501.83	Firm Names	5	0	1	0	10.76
501.85	Complaint Notice	4	0	0	0	33.91
501.90	Discreditable Acts	66	0	1	0	11.15
501.90 (1)	fraud or deceit in obtaining a certificate as a CPA or in obtaining registration under the Act or in obtaining a license to practice public accounting	2	0	0	0	4.33
501.90 (2)	dishonesty, fraud or gross negligence in the practice of public accountancy	35	0	1	0	13.06
501.90 (4)	final conviction of a felony or imposition of deferred adjudication or community supervision	6	0	3	0	7.55
501.90 (5)	final conviction of a crime or imposition of deferred adjudication or community supervision	7	0	4	0	10.38
501.90(6)	cancellation, revocation, suspension or refusal to renew authority to practice as a CPA or a public accountant by any other state for any cause other than failure to pay the appropriate registration fee in such other state	3	0	2	0	20.11
501.90 (7)	suspension or revocation of or a voluntary consent decree concerning the right to practice before any state or federal agency for a cause which in the opinion of the Board warrants its action	7	0	3	0	8.46
501.90 (8)	knowingly participating in the preparation of a false or misleading financial statement or tax return	16	0	0	0	7.26
501.90 (9)	fiscal dishonesty or breach of fiduciary responsibility	23	0	3	0	6.18
Subtotal, Rule Violations		506	44	56	17	

(continued on next page)

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2012.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2012, with this being one of the rules actually violated.

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

Zeros occur in column C when there were no complaints closed during FY 2012 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2012 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

(continued)

The complaints closed in fiscal year 2012 contained alleged and actual violations set forth in the chart below. Many complaints contained more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
501.90 (11)	repeated failure to respond to a client's inquiry	26	0	4	0	6.93
501.90 (12)	misrepresenting facts or making a misleading or deceitful statement to a client	10	0	0	0	6.03
501.90 (13)	false swearing or perjury in any communication to the board	1	0	1	0	62.80
501.90 (14)	threats of bodily harm or retribution to a client	3	0	0	0	5.52
501.90 (16)	voluntarily disclosing information communicated to the person by an employer, past or present, or through the person's employment in connection with accounting services rendered to the employer	1	0	0	0	5.70
501.90 (17)	breaching the terms of an Agreed Consent Order	5	0	0	0	15.32
501.91	Reportable Event	5	0	2	0	9.58
501.93	Responses	0	12	0	10	15.49
501.94	Mandatory CPE	0	2,083	0	160	5.13
513.15 (d)	Firm Offices	2	0	2	0	102.66
515.3	Failure to Complete license Renewal	0	390	0	13	5.13
527.4	Enrollment and Participation	0	18	0	6	8.39
527.6	Reporting to the Board	0	3	0	2	11.22
Subtotal, Rule Violations		53	2,506	9	191	
Total, Rule Violations		559	2,550	65	208	

(continued on next page)

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2012.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2012, with this being one of the rules actually violated.

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

Zeros occur in column C when there were no complaints closed during FY 2012 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2012 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

(continued)

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

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
901.351	Firm License	0	49	0	19	3.05
901.351 (a)	Firm License	2	0	2	0	16.25
901.451	Use of CPA Designation	185	0	86	0	6.95
901.452	Use of Public Accountant Designation	1	0	1	0	37.40
901.453	Use of Accountant or Auditor Restricted	442	0	172	0	4.76
901.453 (b)	Use of Accountant or Auditor Restricted	1	0	1	0	37.40
901.456	Reports on Financial Statements	38	0	21	0	4.15
901.456 (a)	Reports on Financial Statements	1	0	1	0	37.40
901.460	Performing Attest Services	11	0	0	0	7.02
901.461	Practice by Out-of-State Firms	1	0	1	0	3.36
901.462	Out-of-State Practitioner	2	0	2	0	8.06
901.502 (1)	Fraud or Deceit in Obtaining a Certificate	2	0	0	0	4.33
901.502 (10)	Final Felony Conviction	7	0	4	0	8.99
901.502 (11)	Lack of Fitness	184	0	24	0	10.73
901.502 (12)	Other Rule or Order Violation	23	0	4	0	6.91
901.502 (12) (b)	Violation of Professional Standards	6	0	2	0	13.91
901.502 (2)	Dishonesty, Fraud, Gross Negligence: Services	43	0	2	0	17.07
901.502 (2) (A)	Dishonesty, Fraud, Gross Negligence: False FS or Tax Return	1	0	0	0	9.16
901.502 (3), (4)	3 Year No Pay	0	405	0	242	5.10
901.502 (5)	Violation of Subchapter J	1	0	1	0	10.86
901.502 (6)	Violation of Rule of Professional Conduct	247	0	57	0	9.63
901.502 (8)	Action by Another State	5	0	0	0	7.46
901.502 (9)	Right to Practice Before State or Federal Agency	4	0	1	0	3.22
901.503	Board Action Involving Applicant	1	0	0	0	5.70
901.505	Procedure Pending Final Conviction	1	0	0	0	5.20
901.506	Voluntary Surrender of Certificate or Firm License	2	0	0	0	86.13
Total, <i>Public Accountancy Act</i> violations		1,211	454	382	261	
GRAND TOTAL VIOLATIONS		1,770	3,004	447	469	

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2012.

Column D is a count of the number of times that this alleged violation actually occurred for complaints that were closed during FY 2012, with this being one of the rules actually violated.

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

Zeros occur in column C when there were no complaints closed during FY 2012 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2012 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

COLLECTIONS**LICENSES, FEES, AND PERMITS**

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

	STATUTORY MAXIMUM	ACTUAL*	
<u>CPA Examination Fees:</u>			
Application of Intent	\$100	\$50	
Eligibility fee – per part		\$15	<i>through 08/31/12</i>
		\$20	<i>effective 09/01/12</i>
<u>License Fees:</u>			
Individual license	\$125	\$45	<i>through 08/16/08</i>
		\$30	<i>effective 08/17/08</i>
		\$41	<i>effective 11/01/12</i>
Scholarship	\$10	\$10	
Firm Office License	\$200	\$50	
<u>Other Fees:</u>			
Reciprocal registration	\$250	\$100	
CPA certificate fee	\$50	\$50	
Transfer of Credit - Application of Intent	\$100	\$100	
<u>Sponsor Review Fees:</u>			
<u>No. of Course Titles Offered:</u>			
1-10		\$400	
11-40		\$750	
41+		\$1,250	

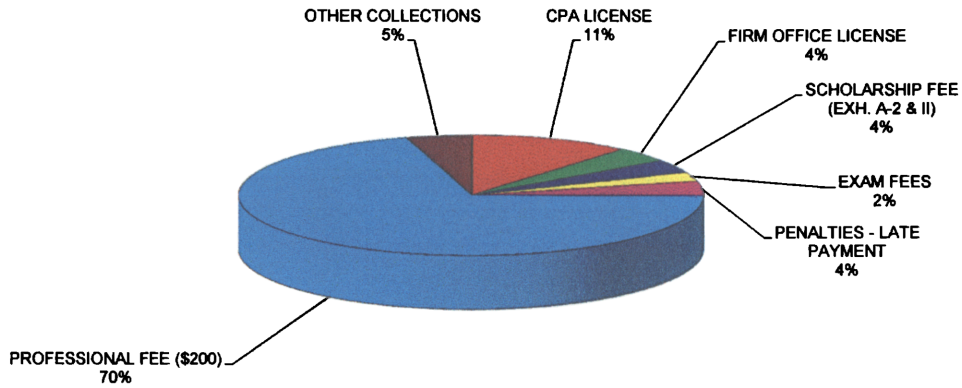
* As of August 31, 2012

The Board collected \$17.9 million during fiscal year 2012. 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, 2012



	FY 2012		FY 2011	
CPA LICENSE	\$ 2,017,616.96	11.22%	\$ 2,007,333.50	11.14%
FIRM OFFICE LICENSE	709,839.49	3.95%	695,956.20	3.86%
SCHOLARSHIP FEE (EXH. A-2 & II)	657,275.12	3.66%	650,552.71	3.61%
EXAM FEES	429,850.00	2.39%	488,825.00	2.71%
PENALTIES - LATE PAYMENT	716,143.33	3.98%	787,918.50	4.37%
PROFESSIONAL FEE (\$200)	12,618,647.99	70.19%	12,591,637.77	69.86%
OTHER COLLECTIONS	828,526.13	4.61%	802,926.11	4.45%
TOTAL FUNDS COLLECTED	\$17,977,899.02	100.00%	\$18,025,149.79	100.00%

^A Excluding Funds Collected for Professional Fee:

Fund 0858: TSBPA Operating Trust Fund	\$ 4,701,975.91	\$4,782,959.31	
Fund 7106: TSBPA Scholarship Fund	657,275.12	650,552.71	See Note 1 B
Reference Exhibits II and A-2.	<u>\$ 5,359,251.03</u>	<u>\$ 5,433,512.02</u>	

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

For the fiscal year ended August 31, 2012, the total expenditures of the Board were approximately \$5,034,746 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

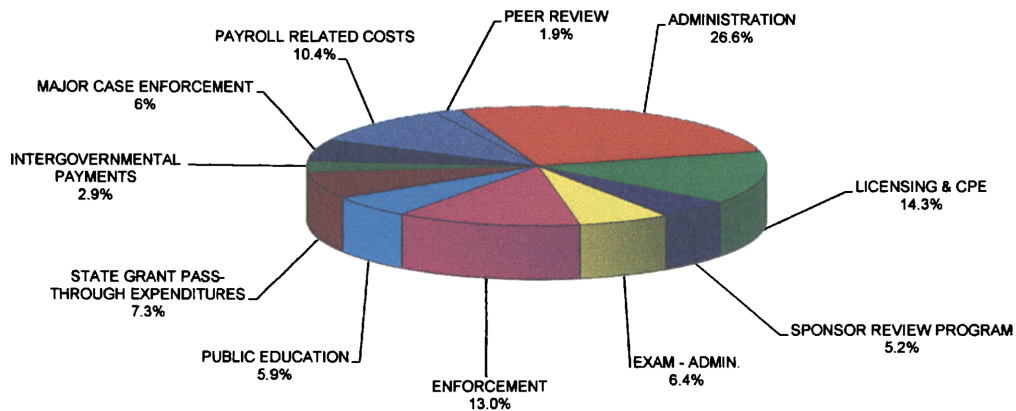
Table V presents expenditures by object.

The Board's expenditures for Salaries and Payroll Related Costs were 57.7% of total expenditures, which is typical of a service-oriented organization.

The next largest expenditure groups in fiscal year 2012 were for Professional Fees, which includes expert witness fees and legal services; Other Expenditures, which includes payment for the Statewide Cost Allocation Plan and for workers' compensation and risk management services, and Materials and Supplies, which includes postage and consumables.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE IV
EXPENDITURES BY ACTIVITY
Fund 0858
 For the Fiscal Year Ended August 31, 2012



	FY 2012		FY 2011	
LICENSING AND CPE	\$802,493.94	14.3%	\$755,663.96	15.6%
SPONSOR REVIEW PROGRAM (SRP)	293,187.63	5.2%	290,757.70	6.0%
EXAM - ADMINISTRATION	361,593.21	6.4%	349,551.64	7.2%
ENFORCEMENT	731,604.60	13.0%	778,045.83	16.0%
MAJOR CASE ENFORCEMENT	334,532.64	6.0%	270,200.42	5.6%
PUBLIC EDUCATION	332,032.40	5.9%	402,895.97	8.3%
STATE GRANT PASS-THROUGH EXPENDITURES	411,924.00	7.3%	N/A	0.0%
INTERGOVERNMENTAL PAYMENTS	165,237.00	2.9%	N/A	0.0%
PAYROLL RELATED COSTS	581,538.26	10.4%	586,026.00	12.1%
PEER REVIEW	104,248.30	1.9%	94,206.35	1.9%
ADMINISTRATION	1,493,514.59	26.6%	1,328,055.19	27.4%
TOTAL EXPENDITURES	\$5,611,906.57	100.0%	\$4,855,403.06	100.0%

(Exhibit II)

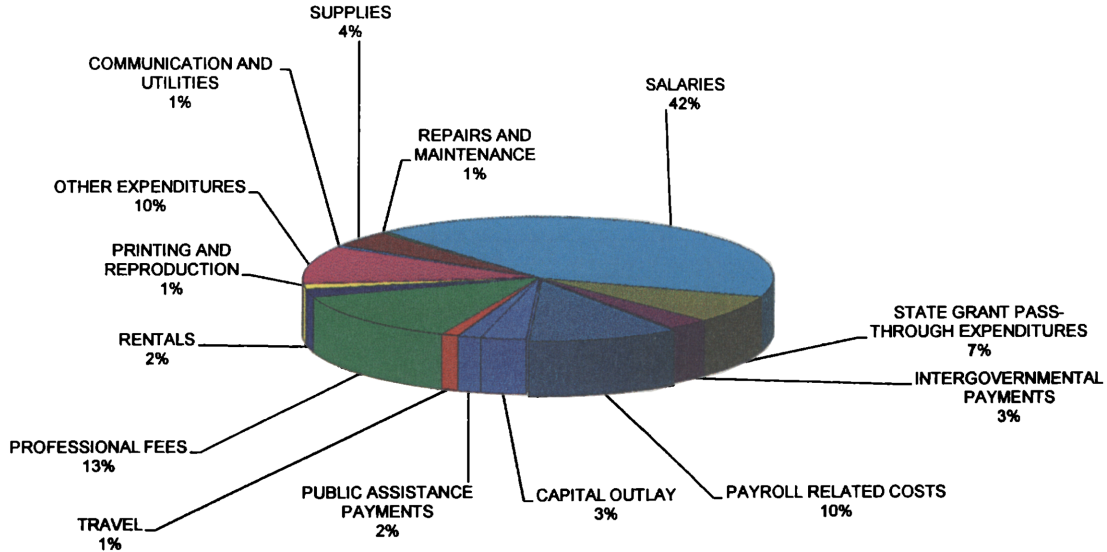
TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE V

EXPENDITURES BY OBJECT

Fund 0858

For the Fiscal Year Ended August 31, 2012



	FY 2012		FY 2011	
SALARIES AND WAGES	\$2,324,297.70	41.4%	\$2,277,597.40	46.9%
PAYROLL RELATED COSTS	581,538.26	10.4%	586,026.00	12.1%
PROFESSIONAL FEES AND SERVICES	751,061.77	13.4%	744,615.86	15.3%
TRAVEL	67,376.47	1.2%	53,359.38	1.1%
MATERIALS AND SUPPLIES	232,771.47	4.1%	237,000.21	4.9%
RENTALS AND LEASES	121,713.46	2.2%	143,558.34	3.0%
PRINTING AND REPRODUCTION	79,109.22	1.4%	112,363.30	2.3%
REPAIRS AND MAINTENANCE	27,583.73	0.5%	26,992.86	0.6%
COMMUNICATION AND UTILITIES	25,079.09	0.4%	29,262.19	0.6%
STATE GRANT PASS-THROUGH EXPENDITURES	411,924.00	7.3%	N/A	0.0%
INTERGOVERNMENTAL PAYMENTS	165,237.00	2.9%	N/A	0.0%
OTHER EXPENDITURES	561,510.53	10.0%	525,830.89	10.8%
CAPITAL OUTLAY	172,703.87	3.1%	28,796.63	0.6%
PEER ASSISTANCE PAYMENTS	90,000.00	1.6%	90,000.00	1.9%
TOTAL EXPENDITURES	\$5,611,906.57	100.0%	\$4,855,403.06	100.0%

(Exhibit II)

