ANNUAL FINANCIAL REPORT

FISCAL YEAR 2016

TEXAS BOARD OF PROFESSIONAL ENGINEERS

TEXAS BOARD OF PROFESSIONAL ENGINEERS

AUSTIN, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

Lance Kinney, Ph.D., P.E.
Executive Director

TBPE
TEXAS BOARD *of* PROFESSIONAL ENGINEERS
Engineering For A Better Texas
1917 S Interstate 35
Austin, Texas 78741-3702
512-440-7723
http://engineers.texas.gov

October 3, 2016

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Board of Professional Engineers (460) for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, Section 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 (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Jeff Mutscher at 512-440-3063.

Sincerely,

Lance Kinney, Ph.D., P.E.
Executive Director

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

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UNAUDITED

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

EXHIBIT I

Combined Balance Sheet – Governmental Funds

For the Fiscal Year Ended August 31, 2016

	Governmental Fund Type	Governmental Fund Type
	General Fund GAAP Fund 1011 Fund 2011 & 1011	Total FY 2016
ASSETS		
Cash in State Treasury	$ 233,336.01	$ 233,336.01
Cash (Note 3)		
Cash in Bank	6,830.00	6,830.00
Cash Equivalent-Misc Investments	1,019,616.42	1,019,616.42
Receivables From:		
Accounts Receivable-Lic,Fees, Permits	26,770.00	26,770.00
Consumable Inventories	1,098.15	1,098.15
TOTAL ASSETS	$ 1,287,650.58	$ 1,287,650.58
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables From:		
Accounts Payable	$ 31,545.78	$ 31,545.78
Payroll Payable	233,208.64	233,208.64
TOTAL LIABILITIES	$ 264,754.42	$ 264,754.42
FUND BALANCES		
Non spendable for Inventory	$ 1,098.15	$ 1,098.15
Committed	1,021,798.01	1,021,798.01
TOTAL FUND BALANCES	$ 1,022,896.16	$ 1,022,896.16
TOTAL LIABILITIES AND FUND BALANCES	$ 1,287,650.58	$ 1,287,650.58

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

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

EXHIBIT I-a

Combined Balance Sheet/Statement of Net Position – Governmental Funds

For the Fiscal Year Ended August 31, 2016

	Governmental Fund Type	Governmental Fund Type	Capital Assets Adjustments	Long Term Liabilities Adjustments	Statement of Net Position
	General Fund GAAP Fund 1011 Fund 2011 & 1011	Total FY 2016	General Fixed Assets GAAP Fund 9998 Fund 0998	General Long Term Debt GAAP Fund 9997 Fund 0997	
ASSETS					
Cash in State Treasury	233,336.01	233,336.01			$ 233,336.01
Cash (Note 3)					
Cash in Bank	6,830.00	6,830.00			6,830.00
Cash Equivalent-Misc Investments	1,019,616.42	1,019,616.42			1,019,616.42
Receivables From:					
Accounts Receivable-Lic,Fees, Permits	26,770.00	26,770.00			26,770.00
Consumable Inventories	1,098.15	1,098.15			1,098.15
Capital Assets (Note2):					
Non-Depreciable			267,036.53		267,036.53
Depreciable, Net			53,118.99		53,118.99
TOTAL ASSETS	$ 1,287,650.58	$ 1,287,650.58	$ 320,155.52		$ 1,607,806.10
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Payables From:					
Accounts Payable	31,545.78	31,545.78			$ 31,545.78
Payroll Payable	233,208.64	233,208.64			233,208.64
Employee's Compensable Leave (Note 5)				148,165.01	148,165.01
Non-Current Liabilities:					
Employee's Compensable Leave (Note 5)				133,363.43	133,363.43
TOTAL LIABILITIES	$ 264,754.42	$ 264,754.42		$ 281,528.44	$ 546,282.86
FUND BALANCES					
Non-spendable for Inventory	1,098.15	1,098.15			$ 1,098.15
Committed	1,021,798.01	1,021,798.01			1,021,798.01
TOTAL FUND BALANCES	$ 1,022,896.16	$ 1,022,896.16			$ 1,022,896.16
TOTAL LIABILITIES AND FUND BALANCES	$ 1,287,650.58	$ 1,287,650.58			

GOVERNMENT-WIDE STATEMENT OF NET POSITION

Net Position:			
Invested in Capital Assets, Net of Related Debt	$ 320,155.52	-	$ 320,155.52
Unrestricted		$ (281,528.44)	(281,528.44)
Total Net Position	$ 320,155.52	$ (281,528.44)	$ 1,061,523.24

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

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

EXHIBIT II

Combined Statement of Revenue, Expenditures, & Changes In Fund Balance - Governmental Funds

For the Fiscal Year Ended August 31, 2016

	GOVERNMENTAL Fund Type	TOTALS
	General Fund GAAP Fund 1011 Fund 2011 & 1011	Reporting Entity FY 2016
REVENUES		
Licenses, Fees & Permits	$ 4,179,545.00	$ 4,179,545.00
Interest and Investment Income	1,893.99	1,893.99
Other Revenue	293.40	293.40
TOTAL REVENUES	$ 4,181,732.39	$ 4,181,732.39
EXPENDITURES		
Salaries and Wages	$ 2,106,069.31	$ 2,106,069.31
Payroll Related Costs	741,522.08	741,522.08
Professional Fees and Services	82,716.17	82,716.17
Travel	33,687.98	33,687.98
Materials and Supplies	133,360.55	133,360.55
Communication and Utilities	54,424.69	54,424.69
Repairs and Maintenance	67,647.79	67,647.79
Rentals & Leases	18,837.76	18,837.76
Printing and Reproduction	82,280.42	82,280.42
Other Expenditures	186,234.26	186,234.26
Capital Outlay	-	-
TOTAL EXPENDITURES	$ 3,506,781.01	$ 3,506,781.01
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 674,951.38	$ 674,951.38
OTHER FINANCING SOURCES (USES)		
Transfers In (Note 12)	$ 3,787,268.49	3,787,268.49
Transfers Out (Note 12)	(4,161,168.49)	(4,161,168.49)
TOTAL OTHER FINANCING SOURCES (USES)	$ (373,900.00)	$ (373,900.00)
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	$ 301,051.38	$ 301,051.38
FUND BALANCE		
Fund Balance--Beginning	$ 721,844.78	721,844.78
FUND BALANCE--August 31, 2016	$ 1,022,896.16	$ 1,022,896.16

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

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended August 31, 2016

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance August 31, 2016
Child Support Employ Deduct Fund 0807				
ASSETS				
Current				
Cash in State Treasury	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
Total Assets	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
LIABILITIES				
Current				
Funds Held for Others	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
Total Liabilities	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
Texasaver Hold-Trnsmit 401K Fund 0942				
ASSETS				
Current				
Cash in State Treasury	$ -	$ -	$ -	$ -
Total Assets	$ -	$ -	$ -	$ -
LIABILITIES				
Current				
Funds Held for Others	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -
Total - All Agency Funds				
ASSETS				
Cash in State Treasury	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
LIABILITIES				
Funds Held for Others	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00
Total Liabilities	$ 2,656.00	$ 556.00	$ 2,656.00	$ 556.00

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

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds

For the Fiscal Year Ended August 31, 2016

	Agency Funds (Exhibit J-1)
ASSETS	
Cash in State Treasury	$ 556.00
Total Assets	$ 556.00
LIABILITIES	
Funds Held for Others	$ 556.00
Total Liabilities	$ 556.00
NET ASSETS	
Held in trust for:	
Individuals, Organizations, and Other Governments:	$ -
Total Net Assets	$ -

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

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The Texas Board of Professional Engineers (the Board) is a Self-Directed Semi-Independent agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The Board was created in 1937 by the Forty-fifth Legislature to administer the provisions of the Texas Engineering Practice Act (V.T.C.S., Article 3271a). The primary functions of the Board are to examine and license applicants as professional engineers and to enforce the rules and regulations applicable to the practice of engineering as established and defined by the Act in order to protect the public.

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.

Component Units

No component units have been identified which should have been blended into an appropriated fund, discrete presentation or note disclosure.

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

General Fund
The General Fund is used to account for all financial resources of the state except those required to be accounted for in another fund. The Board of Professional Engineers Local Operating Fund (Fund 1011) is restricted to expenditures by Agency 460. It derives its financing from license fees, penalty fees, and interest revenues.

Capital Asset Adjustment Fund Type
The Capital Asset Adjustment Fund (Fund 9998) will be used to convert governmental fund type capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type
The Long-Term Liabilities Adjustment Fund (Fund 9997) will be used to convert governmental fund type debt from modified accrual to full accrual.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Fiduciary Fund Types

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Fund
Child Support Employee Deduct (Fund 0807) and Texasaver Hold-Transmit 401K (Fund 0942) 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.

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.

Government 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 to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. 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 basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Budget and Budgetary Accounting

The budget is prepared annually using generally accepted accounting principles. The budget is reviewed and approved by the agency's governing Board notwithstanding any other provisions of law, including the General Appropriations Act. No costs are incurred by the General Revenue fund. The agency is responsible for all costs, both direct and indirect.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Assets, Liabilities, and Fund Equity

Assets:

Cash and Cash Equivalents
Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Inventories and Prepaid Items
Inventories are consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and 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, with the exception of software. The capitalization threshold for purchased software is $100,000. 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. Donated assets are reported at fair value on the acquisition date.

Current Accounts Receivables
Accounts receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

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.

Current Payables - Other
Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Other Liabilities
Other Liabilities represents funds due to the State's General Revenue Fund for professional fees collected.

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 covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

Fund Balance/Net Assets:

"Fund balance" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. "Net position" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements.

Reservations of Fund Balance
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Committed
Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature) are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Nonspendable for Inventory
Ending nonspendable amount of inventory balance.

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 Position
Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Interfund Transactions and Balances

The agency has the following types of transactions among funds:

(1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.

The composition of the agency's Interfund activities and balances are presented in Note 12.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 2: CAPITAL ASSETS

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

	PRIMARY GOVERNMENT				
	9/1/2015	Adjust/Restate	Additions	Deletions	8/31/2016
Governmental Activities:					
Non-depreciable Assets:					
Land and Land Improvements	$ 267,036.53	$	$	$	$ 267,036.53
Total non-depreciable assets:	$ 267,036.53				$ 267,036.53
Depreciable Assets:					
Buildings and Building Improvements	$ 645,539.94	$	$	$	$ 645,539.94
Furniture and Equipment	130,822.48			(6,241.00)	124,581.48
Total depreciable assets at historical costs:	$ 776,362.42			$ (6,241.00)	$ 770,121.42
Less Accumulated Depreciation for:					
Buildings and Building Improvements	$ (613,262.94)	$	$	$	$ (613,262.94)
Furniture and Equipment	(103,253.41)		(6,727.08)	6,241.00	(103,739.49)
Total Accumulated Depreciation:	(716,516.35)		(6,727.08)	6,241.00	(717,002.43)
Depreciable Assets Net:	$ 59,846.07	$ -	$ (6,727.08)	$ -	$ 53,118.99
Governmental Activities Capital Assets, Net:	$ 326,882.60	$ -	$ (6,727.08)	$ -	$ 320,155.52

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

Deposits of Cash in Bank

The Texas Board of Professional Engineers is authorized by statute to deposit funds in the Texas Treasury Safekeeping Trust Company. There were no violations of legal provisions during the period.
As of August 31, 2016, the carrying amount of deposits was $1,026,446.42 as presented below.

Governmental and Business-Type Activities	
Cash in Bank - Carrying Value	$6,830.00
Texas Treasury Safekeeping Trust Company	
Cash in Bank per AFR	$6,830.00

Investments

As of August 31, 2016, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Carrying Value	Fair Value
Repurchase Agreement	$ 1,019,616.42	$ 1,019,616.42
Texas Treasury Safekeeping Trust Company		
Total	$ 1,019,616.42	$ 1,019,616.42

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 4: SHORT-TERM DEBT

Not applicable.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES

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

Governmental Activities	Balance 9/1/15	Additions	Reductions	Balance 8/31/16	Amounts Due Within 1 Year	Amounts Due Thereafter
Employee's Compensable Leave	$ 251,797.88	$207,923.22	$(197,580.28)	$ 262,140.82	$ 141,340.57	$ 120,800.25
Total Governmental Activities	$ 251,797.88	$207,923.22	$(197,580.28)	$ 262,140.82	$ 141,340.57	$ 120,800.25

Employees' Compensable Leave

If a state employee has had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

NOTE 6: BONDED INDEBTEDNESS

Not applicable.

NOTE 7: DERIVATIVES

Not applicable.

NOTE 8: LEASES

Not applicable.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 9: DEFINED BENEFIT PENSION PLANS AND DEFINED CONTRIBUTION PLAN

Not applicable.

NOTE 10: DEFERRED COMPENSATION

The State of Texas offers a deferred compensation plan to all state employees. This plan is in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their salary until future years. All amounts are held in trust by the Employees Retirement System (ERS) Board of Trustees for the exclusive benefit of participants and their beneficiaries. The Board of Trustees is not liable to participating employees for the diminution or loss of participants' deferred amounts or investment income.

The state also administers the TexaSaver 401(k) plan. The assets of this plan do not belong to the state and the state has no liability related to this plan.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable.

NOTE 12: INTERFUND ACTIVITIES AND TRANSACTIONS

Individual balances and activity at August 31, 2016, follows:

	Transfers In	Transfers Out	Purpose (Disclosure Required)
General Fund (01)			
D23 Fund 2011, D24 GAAP Fund 1011		$3,787,268.49	SDSI Local Fund
D23 Fund 1011, D24 GAAP Fund 1011	$3,787,268.49		SDSI Local Operating Fund
From Agency 460, D23 Fund 1011 To Agency 902, D23 Fund 0001		373,900.00	Govt Code Chapter 472, Sec. 472.102 (c)
Total Transfers	$3,787,268.49	$ 4,161,168.49	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Board will be abolished effective September 1, 2025, unless continued in existence by the Legislature as provided by the Act.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Not applicable.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 15: CONTINGENCIES AND COMMITMENTS

Not applicable.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

The Agency participates in the Statewide Property Insurance Program administered by the State Office of Risk Management (SORM). The Agency has a total insured property value of $2,860,000 and the annual premium for the policy is $1,321. The program provides client agencies a $1 billion per occurrence limit, with sublimits for named storm ($125M), flood ($125M), earthquake ($125M), and terrorism ($200M), shared by all participants when incurring damage from the same occurrence. In addition to property insurance, the Agency utilizes SORM to acquire public official and employment practice liability and auto insurance at a total cost of $10,610.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MATERIAL CHANGES TO AFR)

Not applicable.

NOTE 19: THE FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present the activity of the Texas Board of Professional Engineers. There are no component units, related organizations or parties, and no joint ventures.

NOTE 20: STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

Not applicable to the Reporting Requirement Process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable.

NOTE 25: TERMINATION BENEFITS

Not applicable.

NOTE 26: SEGMENT INFORMATION

Not applicable.

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not applicable.

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

Not applicable.

NOTE 29: TROUBLE DEBT REPORTING

Not applicable.

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not applicable.

UNAUDITED

TEXAS BOARD OF PROFESSIONAL ENGINEERS (460)

ADDENDUM

STATUTORY AUTHORITY

The Board was created in 1937 by the Forty-Fifth Legislature to administer the provisions of the Texas Engineering Practice Act (V.T.C.S., Article 3271a). The Act has been recodified as Texas Occupations Code, Title 6, Chapter 1001.

The passage of Senate Bill 1438, 76th Legislature, authorized the Board and two other state agencies with exemplary performance to participate in the Self-Directed Semi-Independent (SDSI) Agency Project Act. Originally implemented for a two-year period, the SDSI status of the agency has been fully reviewed through the Sunset Process, adopted, and extended until the next Sunset Review of the agency in 2025. With the passage of House Bill 1685, 83rd Legislature (Regular Session), the requirements applicable to SDSI agencies now exist in Government Code Chapter 472. We have identified fiscal responsibility and quality service as our top priorities under the SDSI status. This approach establishes that the agency will be successfully run by a strong focus on responsive services, fiscal responsibility, and efficient operations in the achievement of the agency's mission objectives and financial commitments. The Board has also utilized this opportunity to "think outside the box" – we are leveraging technology and pursuing innovative improvements, such as a paperless enforcement case management system, online license applications and customer communications, and online ethics and licensing webinars to provide more efficient and effective service to the public. The Board believes the SDSI program is an innovative idea in state government management, allowing for accountability, transparency, and fiscal responsibility while providing flexibility and agility in agency operations to efficiently prioritize and optimize state resources.

BOARD MEMBERS

Board Member	Hometown	Term Expires
Daniel Wong, Ph.D., P.E. Chairman*	Missouri City	
Sockalingam Kannappan, P.E., Vice Chair	Houston	September 26, 2017
Sina Nejad, D. Eng., P.E., P.Eng., Secretary	Beaumont	September 26, 2019
Edward L. Summers, Ph.D., Treasurer	Austin	September 26, 2017
Elvira Reyna	Little Elm	September 26, 2019
Catherine Norwood, P.E.	Midland	September 26, 2021
Albert Cheng	Houston	September 26, 2021
Lamberto (Bobby) Balli, P.E.	San Antonio	September 26, 2021
R. Kyle Womack, P.E.	Horseshoe Bay	September 26, 2017

* Chair appointed by Governor

AGENCY VISION STATEMENT

"A Well Engineered Texas"

AGENCY MISSION

Our mission is to protect the health, safety and welfare of the people of Texas by regulating and advancing the practice of engineering through licensure of qualified individuals, compliance with the laws and rules, and education about professional engineering.

ADDITIONAL INFORMATION

The agency's primary service populations are the consumers of consulting and public sector engineering services: members of the public, small and large businesses, transportation providers, builders, developers, cities, counties, etc. The secondary service populations include professional engineer license holders and applicants who are seeking an engineering license. Texas has the second largest licensed professional engineer population in the nation. For the public, the agency is the entity of state government responsible for protecting the health, safety and welfare through the licensure of qualified professional engineers and through the regulation of the engineering profession in Texas. For the engineering community of Texas the agency is the ultimate authority over ethical and professional practice issues related to engineering, as well as the enforcement of engineering law, rules, and standards.

The agency and all of its operations are located in Austin at 1917 South Interstate 35, Austin, Texas 78741. All geographic regions of the state are served from this location. Most engineers and engineering activities are concentrated in the urban areas of the state, especially Bexar, Dallas, El Paso, Harris, Tarrant, and Travis counties. With a centralized operation and such a large state, effective communication is key. The Board utilizes various methods to send and receive information with licensees and with the public. Outreach efforts are a major focus, with Board members and staff providing presentations through webinars and in person all over the state to the public, engineers, government officials, and licensees on topics of ethics and professional practice. TBPE made over 130 face-to-face and webinar presentations to more than 19,000 individuals during FY16 alone. In addition, the agency publishes a yearly newsletter, sends quarterly e-Newsletter updates, utilizes social media and various survey instruments to gather and evaluate feedback from our various constituencies. The Board has revised and regularly updates its website so that information is up-to-date and easy to obtain.

Management and Staff

TBPE workforce is comprised of thirty one full-time employees, which includes four licensed professional engineers, and one staff attorney. While the number of licensees has increased by 12% in the last five years, improvements in quality, efficiency, and technology have allowed staffing levels to remain consistent. As an SDSI agency, TBPE has been able to weather changing economic conditions through effective and efficient budget management. TBPE strives to maintain a racially diverse workforce that reflects the distribution within the state. The ethnic distribution of the staff is 45% White, 39% Hispanic, 13% Black and 0% Asian/Pacific Islander; gender distribution: 42% male, 58% female. The workforce has a history of stability, as 65% of employees have been with the agency for more than five years.

The agency is divided into two primary program functions by division: Licensing and Compliance & Enforcement. All other activities within the agency are intended to support these core functions. Towards that end, performance measures are collected and tracked to provide data for management to determine how well the agency is carrying out mission-critical tasks of daily business.

Current Initiatives

Legislative Implementation – The Staff monitored the progress of the 84th legislative session that ended June 1, 2015. All statutory changes were fully implemented by the Board and staff through rules changes and/or process modifications. The 2017 legislative cycle will start with bill filing in November, 2016. TBPE staff will track and monitor all bills through the Texas Legislative process that involve engineering in Texas or the agency.

Journey Toward Excellence – TBPE continues to focus on efficiency, quality, and excellence in everything it does. As such, all of the agency's continuous improvement efforts - including the Strategic Plan, Survey of Employee Engagement, Customer Service Surveys, and the Quality Texas / Baldrige Criteria - have been combined under the umbrella of the Journey Toward Excellence. The goal is to have a coordinated and unified approach to the work that is done by the agency, to become more productive and efficient, and to improve communication and management involvement. This

continuous improvement program has been in effect at the TBPE for several years with very positive and measurable results.

Process review and improvement – TBPE has a major goal of continuous improvement all of its processes and procedures, with a focus on efficiency, cost savings, and customer service. All staff and leadership of the agency participate in the continuous improvement process to improve all aspects of agency functions.

Outreach – Communication to our various stakeholder groups is critical to the enforcement and licensing mission of the agency. Since 2006, agency staff and Board members have made over 1,450 presentations reaching over 113,000 attendees, with 138 face-to-face and webinar presentations to over 19,000 individuals during FY16. TBPE plans to continue to grow and expand its highly successful outreach program and the Board has adopted a comprehensive Visibility and Outreach Plan to achieve this goal. TBPE continues to coordinate and conduct public speaking opportunities to provide ethics training and other public information to licensed engineers, students, government entities and officials, and members of the general public. TBPE has also developed and implemented a highly successful webinar program focused on licensed engineers and students which has been very well received. In addition, TBPE is active on a national and international level, including relationships with other licensing organizations in six countries.

Fees

Senate Bill 277 (78th Regular Session, 2003) mandates that the Board establish fees in amounts that are reasonable and necessary to cover the costs of administering the different licenses, exams and other activities of the Board. The agency practices strict financial controls, responsible budget management, and a comprehensive planning process. Fees for engineering licensure and firm registration are reviewed annually as part of the budgeting process in order to keep the fees as low as possible, while still meeting all budgetary and operating requirements. The annual renewal fee for license holders accounts for approximately two-thirds of the agency's revenues. Beginning in Fiscal Year 2016, the $200 professional fee was no longer assessed and collected since the 84th Legislature repealed this fee with the passage of House Bill 7. SDSI has allowed the board the flexibility to manage its own spending and revenue streams and still achieve an increase in value and services for the state. Currently, the TBPE has approximately 62,000 licensed professional engineers.

SERVICE DEMOGRAPHICS

Changes in the rate of engineering licensure have historically been affected by economic factors such as "right-sizing," high-tech start-ups or layoffs, petroleum prices, real estate development, and infrastructure investment. The change in the rate of licensure usually lags the controlling condition by about a year.

The Board licenses qualified individuals in all different disciplines, with Civil, Mechanical, Electrical, and Structural engineering representing almost 80% of the total population. To qualify for licensure as a professional engineer, an individual must have graduated from a curriculum in engineering or a closely related science such as physics, mathematics, chemistry, or computer science. Depending on educational qualifications, each applicant must demonstrate a minimum of four years of creditable engineering experience in active practice. Most applicants must also pass specialized national examinations in the fundamental principles of engineering and a specialized exam in their area of expertise. Applicant ages range from the mid 20's to the 60's and 70's for those who are beginning second careers. Individuals licensed in other jurisdictions can apply for licensure in Texas and are fairly evenly distributed in age.

Technology Innovations

The Board continues to use technology as a tool to offer better customer service while keeping expenses to a minimum. Although the agency has a relatively small IT department, all programming, database administration, email maintenance and desktop services are handled by the internal staff.

The Board's SDSI status has allowed the IT staff to upgrade and optimize agency systems as necessary and utilize both innovative and industry standard technology solutions. The Agency uses DIR's

cooperative contracts for bulk purchasing discounts and approved technology vendors whenever possible.

The agency utilizes industry standard database systems with custom applications programmed to meet the business processes. These applications, outlined below, are written in standard programming languages such as Microsoft Access and Visual Basic for internal applications and Microsoft ASP for Internet applications. This software does not require exorbitant software license agreements or expensive vendor maintenance contracts.

All IT assets are tracked using real-time, open-source software. This enables the staff to track software installations, monitor hardware usage and ensure that licensees are in check with usage and the devices are being used to their full potential.

As part of our focus on improving communications with our customers and the public, the agency is now using several social media systems to distribute information quickly and efficiently. Using Twitter, Facebook, LinkedIn, and RSS News Feeds allows users to get up-to-date information and augments the agency's website, newsletter, and other communication channels.

TIDE (Texas Informational Database of Engineers)
TIDE is the agency's custom database and information management system. This system has been used to improve agency processes and increase efficiency by making data more accessible, integrating the database with other desktop systems such as Microsoft Word or Excel, and reducing time-consuming duplicate data entry.

Web-Based Improvements – Secure Online Transactions
A significant part of doing modern business and government efficiently and effectively is to handle many processes and transactions online. TBPE has developed many online processes that meet our changing customer needs. TBPE has utilized an internally developed online payment process system since 2005, and has continued to refine the application as more functionality has been added while expanding services to customers. The system allows license holders and registered firms to pay their license renewal with their credit card and update their record information online 24/7. Approximately 85% of all P.E. license and firm registration renewals are processed through this system. In the past eleven years, over 500,000 online payments have been processed.

In addition, an online system was developed to allow licensure applicants to submit their applications electronically. This interactive web-based technology has reduced turn-around time for processing new applications, reduced errors caused by redundant data entry, and has allowed the agency to reduce the amount of paper and cash handling. The IT staff is in the early stages of developing an online complaint system for the Compliance & Enforcement Division.

Internal Software
Wiki technology, similar to that used for developing the online dictionary Wikipedia, is the preferred platform used by TBPE to document agency processes and procedures allowing ease of change and tracking of versions. Each staff member is empowered to make edits as necessary, allowing them to update procedures in real time sharing throughout the agency online. Laserfiche was added as a tool for organizing and storing electronic documents, an important aspect of the Product and Process Improvement goal. This system has allowed the agency to continue to move toward a paperless office, with files and records scanned and shared electronically. The Compliance and Enforcement team has moved to a completely paperless complaint system which has in turn allowed for a faster case hand-off and case review turn-around time.

Webinars for Outreach
The agency and Board conducted 130 outreach presentations in FY2016, reaching over 19,000 individuals. To reduce the amount of staff time and the cost of travel, the agency has developed an innovative webinar program as an option for presentation delivery. Each presentation is timed and marketed to PEs who needed to obtain their professional development hours (PDH) as a requirement of their license renewal. The program has received overwhelming positive responses and engineers and

licensees can interact with the Board no matter where they are located – attendees are not only in Texas, but all over the U.S. and the world. In FY2016, TBPE gave 13 webinars reaching over 10,000 people. The webinars provide an up-to-date overview of agency activities, case studies, and a review of professional ethics topics. The success of these ethics webinars has inspired the agency to expand the program to include additional events such as "How to get licensed" presentations for new applicants and student-focused engineering exam webinars targeted at university engineering programs. Additional events will continue to be scheduled each quarter and promoted through social media and the electronic newsletters.

Web and Email Hosting
TBPE website and email is maintained by skilled and highly trained staff to make immediate and remote assessments and solutions. The agency IT staff ensures that maximum speed and capacity demands are met by providing the adequate bandwidth, support and tools necessary. Senior staff is able to telecommute and access systems securely while meeting industry security standards and all Department of Information Resource (DIR) standards.

Cloud Storage
In following with recommendations from DIR (Department of Information Resources) in their statewide IT priorities, as well as encouraged by the Texas Legislature, TBPE has utilized several cloud-based computing solutions to provide the staff members convenient, on-demand delivery of information while enabling secure storage for disaster recovery purposes.

Additionally, in the coming months, TBPE will be moving locally stored email to the cloud by migrating from Exchange 2010 to Exchange Online which is hosted at the state data center.

Information Security
The security of our customers' data is vital and thus the following protections are in place:

- All data is encrypted and backed up daily on an offsite server.
- An advanced spam filtering process is in place.
- Virus protection is provided at the server level with daily scans of each workstation in case of accidental infection.
- Users are not allowed to install any non-approved programs and are monitored to prevent use of agency bandwidth or resources for personal use and any substantial waste of agency resources.
- Any transfer of confidential information is encrypted to ensure maximum security.
- Web databases do not contain credit card information or complete social security numbers.
- Security training for staff members was obtained from DIR entitled "Securing the Human". The online videos were shown and discussed in monthly trainings on subjects such as: social engineering, passwords, email security, working remotely, physical security and data security.
- The agency submits to quarterly scan and penetration tests coordinated with DIR.

Statistical Analysis of Complaints

As required by §1001.254(b), the Texas Board of Professional Engineers submits the following statistical analysis of complaints filed with the Board during the preceding year. The statistics indicated below are for the reporting period of Fiscal Year 2016 – (September 1, 2015, through August 31, 2016).

1. Number of complaints filed: **632**

2. Categorization of complaints filed according to the basis of the complaint and the number of complaints in each category:

Type	Category	Number of Cases Opened
A	Applicant Matter	0
B	Unlicensed Practice	221
C	Illegal Use-Seal or Certificate	0
D	Inquiries Involving P.E. Registrants	90
E	Illegal Use-Engineering Title or Term	24
F	Corporate Name Inquiry	157
G	Neglect by Public Official	5
H	Miscellaneous Inquiry	131
P	Preliminary Complaint Reviews	0
N	Non-Jurisdictional	4
Z	Failures	0

3. Number of complaints filed by Board staff: **320**

4. Number of complaints filed by persons other than Board staff: **312**

5. Average length of time required to resolve a complaint: **107 days**

6. Number of complaints resolved and the manner in which they were resolved: **644** of which **427** were closed as voluntary compliance.

    a. The number of complaints dismissed and the reasons for dismissal: **66 -** These cases were dismissed for insufficient evidence to indicate a violation or were not under the agency's jurisdiction.

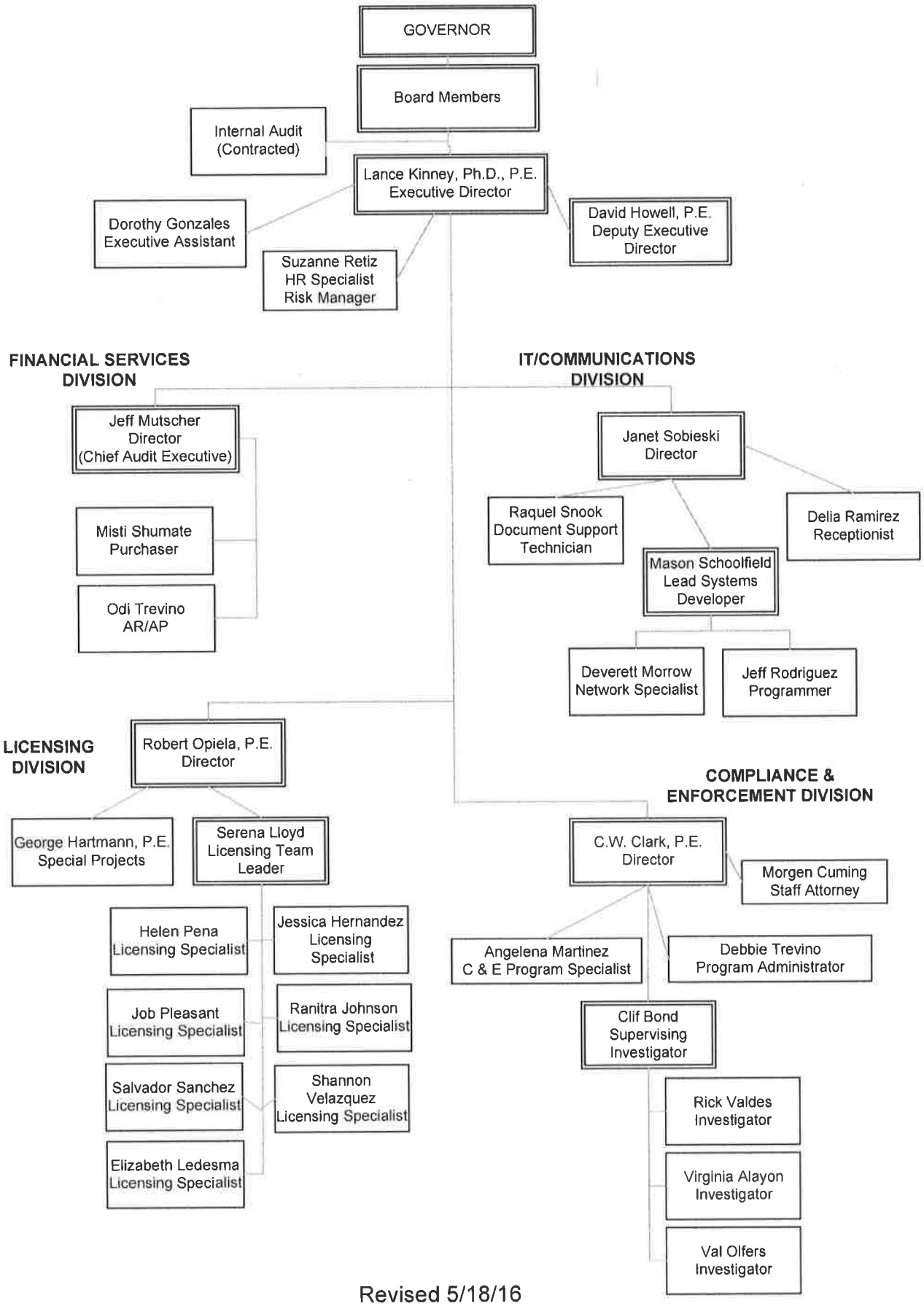
    b. The number of complaints resulting in disciplinary action: **72**

The following table shows the distribution of the actions taken by how they were imposed. Defaults and Final Orders are results from formal hearings at the State Office of Administrative Hearings.

	Number of Cases Closed By:			
Action Taken	**Consent Order**	**Agreed Board Order**	**Default**	**Final Order**
Notice to Cease & Desist	20	2	0	3
Informal Reprimand	13	1	0	0
Formal Reprimand	6	1	0	2
Probated Suspension	10	3	0	2
Suspension	0	0	0	2
Refuse to Renew License	1	0	0	0
Restitution	0	1	0	0
Revocation	3	0	0	0
Ethics Course	7	2	0	2
Administrative Penalty	34	6	0	5
Other	1	0	0	1

7. Number of complaints filed that were unresolved (remain open) is: **149**
The number of those complaints filed by Board staff is: **53**
The number of those complaints filed by persons other than Board staff is: **96**
The average length of time the unresolved complaints have been on file is: **204 days**

Texas Board of Professional Engineers



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