



TEXAS STATE BOARD OF PLUMBING EXAMINERS

TSBPE  *Protecting the health and safety of Texans since 1947*

Annual Financial Report for the Fiscal Year ended August 31, 2019

Lisa G. Hill
Executive Director

Julio Cerda
Board Chair

Texas State Board of Plumbing Examiners, Agency Number 456

Annual Financial Report

For The Year Ended August 31, 2019

TABLE OF CONTENTS

I.	Letter of Transmittal	1
II.	Combined Financial Statements	
	A. Exhibit 1 - Combined Balance Sheet/Statement of Net Position - Governmental Funds	2
	B. Exhibit II - Combined Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds	3
III.	Notes to the Financial Statements	4
IV.	Addendum	
	A. Organizational and General Comments	14
	B. TSBPE Board Members	17
	C. TSBPE Organizational Chart	18

JULIO CERDA
CHAIR
MISSION

BEN R. FRIEDMAN
MEMBER
DALLAS

DAVID ANTHONY GARZA
MEMBER
SAN BENITO



MILTON R. GUTIERREZ
MEMBER
FORT WORTH

ROBERT F. JALNOS
MEMBER
SAN ANTONIO

EDWARD THOMPSON
MEMBER
TYLER

TEXAS STATE BOARD OF PLUMBING EXAMINERS

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September 30, 2019

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas State Board of Plumbing Examiners for the year ended August 31, 2019, 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 the 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 the report.

If you have any questions, please contact Mayra Zamarripa, Director of Financial Operations, at (512) 936-5222.

Sincerely,

A handwritten signature in blue ink that reads "Lisa G. Hill".

Lisa G. Hill
Executive Director

Combined Financial Statements

Texas State Board of Plumbing Examiners, Agency Number 456

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

August 31, 2019

	Governmental Fund Types				Statement of Net Assets (FY 2019)
	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
ASSETS					
Current Assets:					
Legislative Appropriations	\$ 389,155.50	\$ 389,155.50			\$ 389,155.50
Consumable Inventories	26,444.82	26,444.82			26,444.82
Total Current Assets	415,600.32	415,600.32	-	-	415,600.32
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable					
Furniture and Equipment			\$ 65,316.45		\$ 65,316.45
Accumulated Depreciation			(55,133.23)		(55,133.23)
Vehicles, Boats, and Aircraft			231,873.85		231,873.85
Accumulated Depreciation		-	(202,322.70)		(202,322.70)
Total Non-Current Assets	-	-	39,734.37	-	39,734.37
Total Assets	\$ 415,600.32	\$ 415,600.32	\$ 39,734.37	\$ -	\$ 455,334.69
LIABILITIES AND FUND BALANCES					
Liabilities					
Current Liabilities:					
Payables From:					
Accounts	\$ 86,187.29	\$ 86,187.29			\$ 86,187.29
Payroll	170,019.83	170,019.83			170,019.83
Employees Compensable Leave (Note 5)				\$ 86,995.40	86,995.40
Total Current Liabilities	256,207.12	256,207.12	-	86,995.40	343,202.52
Non-Current Liabilities:					
Employees Compensable Leave (Note 5)	-	-		80,923.17	80,923.17
Total Non-Current Liabilities	-	-	-	80,923.17	80,923.17
Total Liabilities	\$256,207.12	\$256,207.12	\$ -	\$167,918.57	\$424,125.69
FUND FINANCIAL STATEMENT					
Fund Balances (Deficits):					
Nonspendable For Inventories/Prepaid Items	\$ 26,444.82	\$ 26,444.82			\$ 26,444.82
Unassigned	132,948.38	132,948.38			132,948.38
Total Fund Balances	159,393.20	159,393.20	-	-	159,393.20
Total Liabilities and Fund Balances	\$ 415,600.32	\$ 415,600.32	\$ -	\$ 167,918.57	\$ 583,518.89
GOVERNMENT-WIDE STATEMENT OF NET POSITION					
Net Position					
Net Investment in Capital Assets			\$ 39,734.37		\$ 39,734.37
Unrestricted				(167,918.57)	(167,918.57)
Total Net Position			\$ 39,734.37	\$ (167,918.57)	\$ 31,209.00

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

Texas State Board of Plumbing Examiners, Agency Number 456
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds
For the Fiscal Year Ended August 31, 2019

	General Funds Fund 0001	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities (FY 2019)
REVENUES					
Legislative Appropriations					
Original Appropriations	\$ 2,435,378.00	\$ 2,435,378.00			\$ 2,435,378.00
Additional Appropriations	432,874.02	432,874.02			432,874.02
Licenses, Fees & Permits	181,615.00	181,615.00			181,615.00
Sales of Goods and Services	7,304.55	7,304.55			7,304.55
Total Revenues	\$ 3,057,171.57	\$ 3,057,171.57	-	-	\$ 3,057,171.57
EXPENDITURES					
Salaries and Wages	\$ 1,445,123.53	\$ 1,445,123.53		\$ 12,550.57	\$ 1,457,674.10
Payroll Related Costs	462,567.57	462,567.57			462,567.57
Professional Fees and Services	12,516.52	12,516.52			12,516.52
Travel	58,875.33	58,875.33			58,875.33
Materials and Supplies	97,142.88	97,142.88			97,142.88
Communication and Utilities	84,945.46	84,945.46			84,945.46
Repairs and Maintenance	82,971.18	82,971.18			82,971.18
Rentals & Leases	246,051.50	246,051.50			246,051.50
Printing and Reproduction	35,637.83	35,637.83			35,637.83
Other Expenditures	415,617.24	415,617.24			415,617.24
Capital Outlay	-	-	-		-
Depreciation Expense	-	-	28,149.48		28,149.48
Total Expenditures	\$2,941,449.04	\$2,941,449.04	\$ 28,149.48	\$ 12,550.57	\$ 2,982,149.09
Excess (Deficiency) of Revenues Over Expenditures	\$ 115,722.53	\$ 115,722.53	\$ (28,149.48)	\$ 12,550.57	\$ 75,022.48
OTHER FINANCING SOURCES (USES)					
Insurance Recovery Within Year of Loss	\$ 8,584.00	\$ 8,584.00	\$ -		\$ 8,584.00
Transfers Out (Health Professions Council)	(182,829.00)	(182,829.00)	-		(182,829.00)
Gain (Loss) on Sale of Capital Assets	-	-	-		-
Total Other Financing Sources (Uses)	(174,245.00)	(174,245.00)	-	-	(174,245.00)
Net Change in Fund Balances/Net Assets	(66,623.55)	(66,623.55)	(28,149.48)	12,550.57	(107,323.60)
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances, September 1, 2018	226,016.75	226,016.75			226,016.75
Restatements	-	-	-		-
Fund Balances, September 1, 2018, as Restated	226,016.75	226,016.75	-	-	226,016.75
Appropriations Lapsed	(8,101.08)	(8,101.08)			(8,101.08)
Fund Balances, August 31, 2019	\$ 159,393.20	\$ 159,393.20			\$ 118,693.15
GOVERNMENT-WIDE STATEMENT OF NET POSITION					
Net Position/Net Change in Net Position		\$ 159,393.20	\$ (28,149.48)	\$ 12,550.57	\$ 143,794.29
Net Position, September 1, 2018			67,883.85	(180,469.14)	(112,585.29)
Restatements					
Net Position, September 1, 2018, as Restated			67,883.85	(180,469.14)	(112,585.29)
Net Position, August 31, 2019		\$159,393.20	\$ 39,734.37	\$ (167,918.57)	\$ 31,209.00

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

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Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

Entity

The Texas State Board of Plumbing Examiners (TSBPE) is an 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 Annual Financial Reports of State Agencies and Universities*.

MISSION: The fundamental mission of the Texas State Board of Plumbing Examiners is to help protect the health and safety of the citizens of the State of Texas by ensuring that our drinking water, air, and medical gases are free from contaminants so that we may live and work in the safe conditions that properly designed and installed plumbing systems are meant to provide. Our primary influence in fulfilling this mission is ensuring that individuals entrusted with a license issued by the Board and endowed with the inherent credibility it provides, are competent and exhibit the requisite fitness to perform plumbing work in this state. Another cornerstone in fulfilling the Board's mission is through community outreach and public education, ensuring that the public is aware of the crucial role plumbing plays in guaranteeing sanitation and health, and the sometimes unheralded role of the licensed plumbing professionals who safeguard the public's health.

The Board steadfastly believes that an informed public will demand the reliability, accountability and sound judgment of a licensed plumbing professional, ensuring that plumbing services are only provided by such proven professionals, and not left to unqualified and sometimes unscrupulous individuals who might undermine the Board's mission through unlicensed plumbing work. Community outreach and public education also serves the dual purpose of promoting the plumbing profession as a rewarding career option; an important task after years of flat growth in the workforce while the population of Texas has been, and is expected to continue to grow. The Board also takes seriously its statutory charge to investigate consumer complaints alleging threats to the public's health and safety and to take enforcement and disciplinary action against persons who have violated the Plumbing License Law; thus preventing potentially dangerous unlicensed plumbing work and ensuring that licensed plumbers continue to exhibit fitness and uphold the high standards of licensure in the field. Through equitable and consistent regulation of the plumbing industry, and by examining, licensing and registering plumbing professionals, the Board ensures that qualified individuals following clear standards are able to protect the health and safety of the citizens of the State of Texas.

TSBPE accomplishes its mission by complying with its statutory duties to examine and license plumbers, registrants and plumbing inspectors, and enforcing Title 8, Chapter 1301, Occupations Code, the Plumbing License Law ("Act"), the Board's enabling statute. These statutory duties include:

- administering examinations for Tradesman Plumbers, Journeyman Plumbers, Master Plumbers, Plumbing Inspectors, Water Supply Protection Specialists, Medical Gas Piping Installers, and Multipurpose Residential Fire Protection Sprinkler Specialists

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- registration of Plumber's Apprentices, Residential Utility Installers, Drain Cleaners, and Drain Cleaners-Restricted registrants
- approving and monitoring training programs and Plumbers' Continuing Professional Education programs
- investigation of consumer complaints
- monitoring of plumbing job-sites for compliance with the Plumbing License Law
- issuing administrative penalties to alleged violators
- suspending and revoking licenses
- reviewing criminal histories of applicants
- assisting local authorities with the enforcement of the Plumbing License Law
- providing public awareness programs and assisting those who may choose plumbing as a career path

TSBPE does not teach individuals how to install or repair plumbing, nor does it have authority to do so. This task is appropriately left to high schools, trade schools, community colleges, and like schools that choose to provide such training, as well as the training provided by the plumbing industry itself. However, the agency believes that to properly carry out its mission, it must endeavor to educate the industry and consumers in the requirements of the Plumbing License Law and the hazards of improperly installed plumbing. In this public awareness effort, TSBPE utilizes its experienced, licensed and knowledgeable staff to conduct highly requested awareness seminars for plumbing trade schools, high schools, universities, municipal inspection departments, plumbing companies and plumbing trade associations. Included in many of the seminars is TSBPE's unique cross-connection prevention demonstration unit that houses a display of see-through fixtures and piping which demonstrate how easily our drinking water can be contaminated by improperly installed plumbing systems. Additionally, seminars serve to provide information to individuals who may be encouraged to consider the plumbing industry as a career.

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 is 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.

TSBPE has no Blended Component Units or Discretely Presented Component Units and therefore none are identified.

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 & Government-Wide Adjustment Fund Types

General Revenue Funds

The General Revenue Fund (Fund 0001) is used to account for all financial resources of the State except those required to be accounted for in another fund.

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Texas State Board of Plumbing Examiners, Agency Number 456

Capital Assets Adjustment Fund Type

The Capital Assets Adjustment Fund (Fund 9998) is 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 (Fund 9997) is used to convert governmental fund types' debt from modified accrual to full accrual.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual 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 build the government-wide financial statements are accounted for using the full accrual basis of accounting. The following activities are recognized in these fund types: capital assets; accumulated depreciation; unpaid Employee Compensable leave; the unmatured debt service (principal and interest) on general long-term liabilities; long-term capital leases; long-term claims and judgments; and full accrual revenues and expenses.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund Balances/Net Assets

Assets

Inventories and Prepaid Items: Inventories include both merchandise inventories on hand for sale and consumable inventories (TSBPE has only 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 and proprietary fund types. The cost of these items is expensed when the items are consumed.

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Texas State Board of Plumbing Examiners, Agency Number 456

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 not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all “exhaustible” assets. 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 Balances: 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 non-current in the statement of net assets. These obligations are normally paid from the same funding source from which each employee’s salary or wage compensation was paid.

Fund Balance/Net Assets

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

Fund Balance Components: Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- **Nonspendable fund balance** includes amounts not available to be spent because they are either:
 - Not in spendable form, or
 - Legally or contractually required to be maintained intact.
- **Restricted fund balance** includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- **Committed fund balance** can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state’s highest level of decision making authority.
- **Assigned fund balance** includes amounts constrained by the state’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by:
 - The Texas Legislature
 - or –

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Texas State Board of Plumbing Examiners, Agency Number 456

- A body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned fund balance** is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

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.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

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 that are imposed by management but can be removed or modified.

Interfund Activities and Balances

The agency has the following types of transactions between funds:

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

Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables: Interfund loans are reported as Interfund Receivables and Payables. If repayment is due during the current year or soon thereafter, the balance is classified as "Current." Balances for repayment in two (or more) years are classified as "Non-Current".

The agency had no Interfund Receivables or Payables as of August 31, 2019. See Note 12.

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Texas State Board of Plumbing Examiners, Agency Number 456

NOTE 2: Capital Assets

With the exception of scrap metal used in the exam process in the TSBPE Examination Center, 75% of revenue received from the sale of other surplus property is transferred to unappropriated General Revenue in accordance with the General Appropriations Act, Article IX, §8.03. TSBPE is allowed to keep the remaining 25% as long as it is spent on like-kind property.

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

PRIMARY GOVERNMENT						
	Balance 09/01/2018	Adjustments	Reclass	Additions	Deletions	Balance 08/31/2019
Governmental Activities						
Depreciable Assets:						
Furniture and Equipment	\$ 74,264.57				\$ (8,948.12)	\$ 65,316.45
Vehicles, Boats and Aircraft	250,039.85				(18,166.00)	231,873.85
Total Depreciable Assets at Historical Costs:	\$ 324,304.42				\$ (27,114.12)	\$ 297,190.30
Less Accumulated Depreciation for:						
Furniture and Equipment	\$ (59,727.87)			\$ (4,353.48)	\$ 8,948.12	\$ (55,133.23)
Vehicles, Boats and Aircraft	(196,692.70)			(23,796.00)	18,166.00	(202,322.70)
Total Accumulated Depreciation of Depreciable Assets, Net	\$ (256,420.57)	-0-	-0-	\$ (28,149.48)	\$ 27,114.12	\$ (257,455.93)
Governmental Activities Capital Assets, Net	\$ 67,883.85	\$ 0	\$ 0	\$ (28,149.48)	\$ 0	\$ 39,734.37

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

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

Governmental Activities	Balance 09/01/2018	Additions	Reductions	Balance 08/31/2019	Amounts Due Within One Year
Compensable Leave	\$180,469.14	\$122,827.20	\$ 135,377.77	\$167,918.57	\$86,995.40
Total Governmental Activities	\$180,469.14	\$122,827.20	\$ 135,377.77	\$167,918.57	\$86,995.40

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Texas State Board of Plumbing Examiners, Agency Number 456

Employees' Compensable Leave

A 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, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized 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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Claims & Judgments

There are no claims or judgments against the agency as of August 31, 2019, and none are expected.

NOTE 8: Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$226,717.68 FY 2019

In fiscal year 2014, a new building lease began for a ten-year period, effective September 1, 2013 and ending on August 31, 2023. Future minimum building lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Fiscal Year Ended August 31:	
FY 2020	\$ 226,717.68
FY 2021	226,717.68
FY 2022	226,717.68
FY 2023	226,717.68
FY 2024	-0-
FY 2025 thru 2029	-0-
<u>Total Minimum Future Lease Rental Payments</u>	<u>\$ 906,870.72</u>

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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Texas State Board of Plumbing Examiners, Agency Number 456

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2019 follows:

<u>Current Portion</u>	Current Interfund Receivable	Current Interfund Payable
GENERAL REVENUE (01)		
Total Interfund Receivable / Payable	\$-0-	\$-0-

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose (Disclosure Required)
GENERAL REVENUE (01)			
Total Interfund Receivable / Payable	\$-0-	\$-0-	\$-0-

	Due From Other Agencies	Due to Other Agencies	Source
GENERAL REVENUE (01)			
Total Due From / To Others Agencies (Exhibit I)	\$-0	\$-0-	Transfer

	TRANSFERS IN	TRANSFERS OUT
GENERAL REVENUE (01)		
Appd Fund 0001, D23 Fund 0001	\$ -0-	\$ -0-
<u>Total Transfers for Fund 0001</u>	\$-0-	\$ -0-
Total Transfers	\$-0-	\$ -0-

	Legislative TRANSFERS IN	Legislative TRANSFERS OUT
GENERAL REVENUE (01)		
Appropriated Fund 0001, D23 Fund 0001 Health Professions Council Agency #364	\$-0-	\$ 182,829.00
Total Legislative Transfers	\$ -0-	\$ 182,829.00

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Texas State Board of Plumbing Examiners, Agency Number 456

NOTE 13: *Continuance Subject to Review*

On June 13, 2019, Governor Greg Abbott issued an executive order to extend the activity of the Texas State Board of Plumbing Examiners past its set expiration date of September 1, 2019. Governor Abbott utilized Section 418.016 of the Texas Government Code, which allows the Governor to suspend provisions of regulatory statutes prescribing the procedures for the conduct of state business if strict compliance would in any way prevent, hinder or delay necessary action in coping with a disaster.

The Texas State Board of Plumbing Examiners, whose mission is “to protect Texas citizens against the health and safety hazards that can result from improperly installed plumbing, gas, and medical gas systems,” will continue to play an essential role in all these efforts by ensuring that the plumbers who rebuild Texas and prepare for future disasters do so in a manner that will safeguard public health, safety, and property.

To fulfill the demands for rebuilding after Hurricane Harvey and keeping Texas prepared and able to recover from future disasters, it is necessary to continue the Board to perform its indispensable role in protecting Texans.

By utilizing the powers granted to him by the Legislature under the Texas Government Code, the Governor’s order will allow the Board to continue its operations through May 31, 2021, giving the 87th legislature time to address the matter.

NOTE 17: *Risk Management*

The Texas State Board of Plumbing Examiners (TSBPE) is exposed to a variety of civil claims resulting from the performance of its duties. It is agency policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

Automobile insurance coverage was purchased during fiscal year 2019 through the Statewide Automobile Insurance Program to cover liability for the agency’s vehicles. This insurance program is managed and supervised for state agencies by the State Office of Risk Management (SORM).

TSBPE assumes substantially all other risks associated with tort and liability claims due to the performance of its duties. The agency is not involved in any risk pools with other government entities.

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Texas State Board of Plumbing Examiners, Agency Number 456

NOTES: <i>Not Applicable to the Texas State Board of Plumbing Examiners</i>
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The following notes are not applicable to the Texas State Board of Plumbing Examiners, and are therefore not presented in this Annual Financial Report:

Note 3	Deposits, Investments and Repurchase Agreements
Note 4	Short-Term Debt
Note 6	Bonded Indebtedness
Note 7	Derivatives
Note 9	Defined Benefit Pension Plans and Defined Contribution Plan
Note 10	Deferred Compensation
Note 11	Post-Employment Benefits Other Than Pensions
Note 14	Adjustments to Fund Balances and Net Position
Note 15	Contingencies and Commitments
Note 16	Subsequent Events
Note 18	Management's Discussion and Analysis
Note 19	The Financial Reporting Entity
Note 20	Stewardship, Compliance and Accountability
Note 22	Donor Restricted Endowments
Note 23	Extraordinary and Special Items
Note 24	Disaggregation of Receivable and Payable Balances
Note 25	Termination Benefits
Note 26	Segment Information
Note 27	Service Concession Arrangements
Note 28	Deferred Outflows of Resources and Deferred Inflows of Resources
Note 29	Troubled Debt Restructuring
Note 30	Non-Exchange Financial Guarantees
Note 31	Tax Abatements
Note 32	Governmental Fund Balances

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Texas State Board of Plumbing Examiners, Agency Number 456

Addendum

Organizational and General Comments

Quality plumbing systems installed by qualified plumbers and inspected by qualified plumbing inspectors are critical to the health and safety of the citizens of Texas because improperly installed plumbing systems can cause and actually have caused injury and death through explosions, fires, hospital medical gas contamination, and noxious fumes. Improperly installed plumbing systems can transmit diseases that include typhoid fever, diarrhea, cholera, and amoebic and bacterial dysentery. Sickness or death can occur when noxious fumes such as carbon monoxide, methane gas, and fuel gas are not properly ventilated by our plumbing systems. Improperly installed medical gas systems can deliver contaminated or cross-connected medical gasses to hospital patients causing sickness and death.

Examination and Licensing

The Board's examinations and the TSBPE Examination Center are currently recognized nationwide as setting a high standard in the plumbing industry. Separate examinations are given for Tradesman Plumber-Limited, Journeyman Plumber, Master Plumber, Medical Gas Installation Specialist, Water Supply Protection Specialist, Multipurpose Residential Fire Protection Sprinkler Specialist, and Plumbing Inspector. These examinations consist of thorough written and hands-on-practical sessions that ensure that licensed plumbers and plumbing inspectors who work with public water supplies, sewage disposal, natural gases and medical gases have the qualifications, knowledge, skills, and competencies to do their jobs properly. Additionally, the Board registers Plumber's Apprentices, Residential Utility Installers, Drain Cleaners, and Drain Cleaner – Restricted registrants.

The life of any plumbing system, large or small, is directly related to the preparation and assembly of the materials that go into the making of the plumbing system. It is difficult to detect improper preparation of materials once the materials are assembled and installed in the plumbing system, until the system fails. The failure of a plumbing system can result in fires, explosions, serious health problems and considerable expense to the consumer. For this reason, the practical portion of a plumbing examination is critical to ensure that the applicant demonstrates his or her ability to properly prepare and assemble plumbing materials used in plumbing systems. After an applicant assembles materials during the examination, the materials are disassembled and the applicant is graded on how well the materials were prepared prior to assembly.

Enforcement

Rigorous and pro-active enforcement of the plumbing regulations is critical to the health and safety of the citizens of Texas. The enforcement and regulation occurs through the receiving and investigation of complaints, checking compliance of plumbing practices and plumber and plumbing inspector licenses at job sites, issuance of reprimands, revocation or suspension of licenses, and imposition of administrative penalties against plumbers who allegedly violate the Plumbing License Law, or rules and regulations of the Board. Additionally, the Board monitors the Continuing Professional Education courses that are required for obtaining and renewing licenses and registrations on a random basis to ensure that courses meet the minimum requirements of the Plumbing License Law and Board Rules. Individual instructors are critiqued on class presentation. Without the objective enforcement administered by the Board, industry compliance with the Plumbing License Law could be expected to be minimal, at best, and health and safety risks would increase.

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Indirect Administration

Indirect administration includes supervision of all agency staff. Indirect administration performs all of the accounting, payroll, purchasing, reporting, human resource, information technology and other administrative tasks required by the state to operate properly and efficiently.

Public and Industry Awareness Efforts

The Board has found that most plumbers desire to “do the right thing” by complying with the laws and rules that regulate their industry. However, without the Board’s efforts to reach out to the industry to inform it of what is expected in the way of compliance, many plumbers would find themselves in unintentional violation of the regulations. Also, an educated consumer is able to make better decisions when choosing a plumber when the consumer knows what is expected of the plumber and understands the health and safety hazards associated with improperly installed plumbing. When the plumber knows that his or her consumer possesses such knowledge, the plumber is more likely to deliver a better service. For these reasons, the Board’s awareness seminars and Internet web site are important to both the consumer and the plumbing industry.

The Texas State Board of Plumbing Examiners (TSBPE) is composed of nine members appointed by the Governor and confirmed by the Senate. The Governor has the authority to appoint the chairman. Membership consists of the following: one plumbing contractor, one master plumber, one journeyman plumber, one plumbing inspector, one professional plumbing engineer, one home builder, one commercial builder, and two public members. The Board sets policy and delegates implementation of policy to the Executive Director. In addition to travel reimbursement, the Plumbing License Law provides that each member of the Board is entitled to a per diem of \$30 per day as set forth by legislative appropriations for each day the member engages in business of the Board.

Significant Changes

The agency’s overall customer base continues to expand significantly and demonstrates the vital role the agency plays to the State and its citizens. A combination of several growth factors has resulted in substantially more persons being licensed and registered with the Board. In order to safeguard the health and safety of the citizens of Texas, plumbing professionals must be properly qualified and exhibit requisite as demonstrated by and through examination and licensure by the Board. The agency’s customer base consists not only of licensees and registrants, but also includes providers and instructors of required Professional Continuing Education courses; and, citizens making inquiries and complaints concerning both licensees/ registrants, and those individuals who may be illegally performing plumbing work without a license or registration. The Board continues to operate as a “clearing house” for the ever-growing pool of Master Plumbers serving as a Responsible Master Plumber (“RMP”) and operating plumbing companies in this State by storing and verifying certificates of insurance, processing company name changes, and verifying RMP status for political subdivisions such as municipalities, so that they may issue plumbing permits as required by the Plumbing License Law. The information maintained is also available to the general public through the agency website for those wishing to find a compliant plumber or plumbing company. Failure or delay in delivering these key services can delay or prevent economic activity in municipalities and other local governments experiencing rapid development, and would unnecessarily impede economic growth and prosperity for the State overall.

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A bustling national and state economy, coupled with rapid development and sharp population growth has fueled the need for more licensed and registered plumbers. The demands for the construction trades in the aftermath of Hurricane Harvey have also created a push for additional licensees and registrants in the affected areas. In order to keep pace with the increased demands of a healthy and growing economy, and to continue to provide the best service possible to our customers, additional staff are needed.

The Texas Economic Forecast, prepared by the Texas Comptroller of Public Accounts in Summer 2018, predicts steady and robust annual growth of 1.5% EACH YEAR over the next 5 years, resulting in a projected population increase of over 2.2 million. These increases in population will increase the demand for licensed plumbers, specially endorsed plumbers, plumber's apprentices and plumbing inspectors. Specifically, the most recent Report on Texas Growth Occupations - 2017, prepared by the Texas Workforce Commission, predicts that the construction industry overall is expected to grow by 27.8% by 2024, with the plumbing trade in particular to grow by 28.8% during that time. This, in turn, will increase the demands on the agency, in the areas of issuance and renewal of licenses and registrations, examinations, enforcement, complaint investigation and compliance checks in addition to monitoring education training classes for proper content and required classroom hours.

The agency must also remain available to provide consumer outreach and public education to advise the public on the importance of the vital role licensed plumbing professionals play in safeguarding the public's health and wellbeing, while simultaneously serving to recruit bright and eager young minds to carry on the profession, amid an aging workforce in the skilled construction trades, and an aging workforce overall, with the retirement of the baby boomer generation looming. Through fair and consistent regulation of the plumbing industry, and by examining, licensing and registering plumbing professionals, the Board ensures that qualified individuals follow clear standards while protecting the citizens' health and safety.

Advancements in technology continue to make the agency more accessible to consumers and those regulated by the agency. Because more consumers have access to information technology such as email and internet, consumers of plumbing related services are more informed regarding the regulations governing plumbing work and the responsibilities of the Board. Consumers and plumbers have heightened their expectations of how the Board should perform its duties. Advancements in technology have led them to expect more rapid responses from the agency to address their needs, including licensing, examination, complaint processing and requests for information. Additionally, consumers have increased their expectations of the Board to enforce the regulations governing plumbing work. Consumers expect the agency to be responsive to their complaints and ensure that it licenses and registers only qualified individuals to install and inspect plumbing. Those who are regulated by the Board and in compliance with the requirements expect the agency to take action against those who violate the Plumbing License Law and Board Rules.

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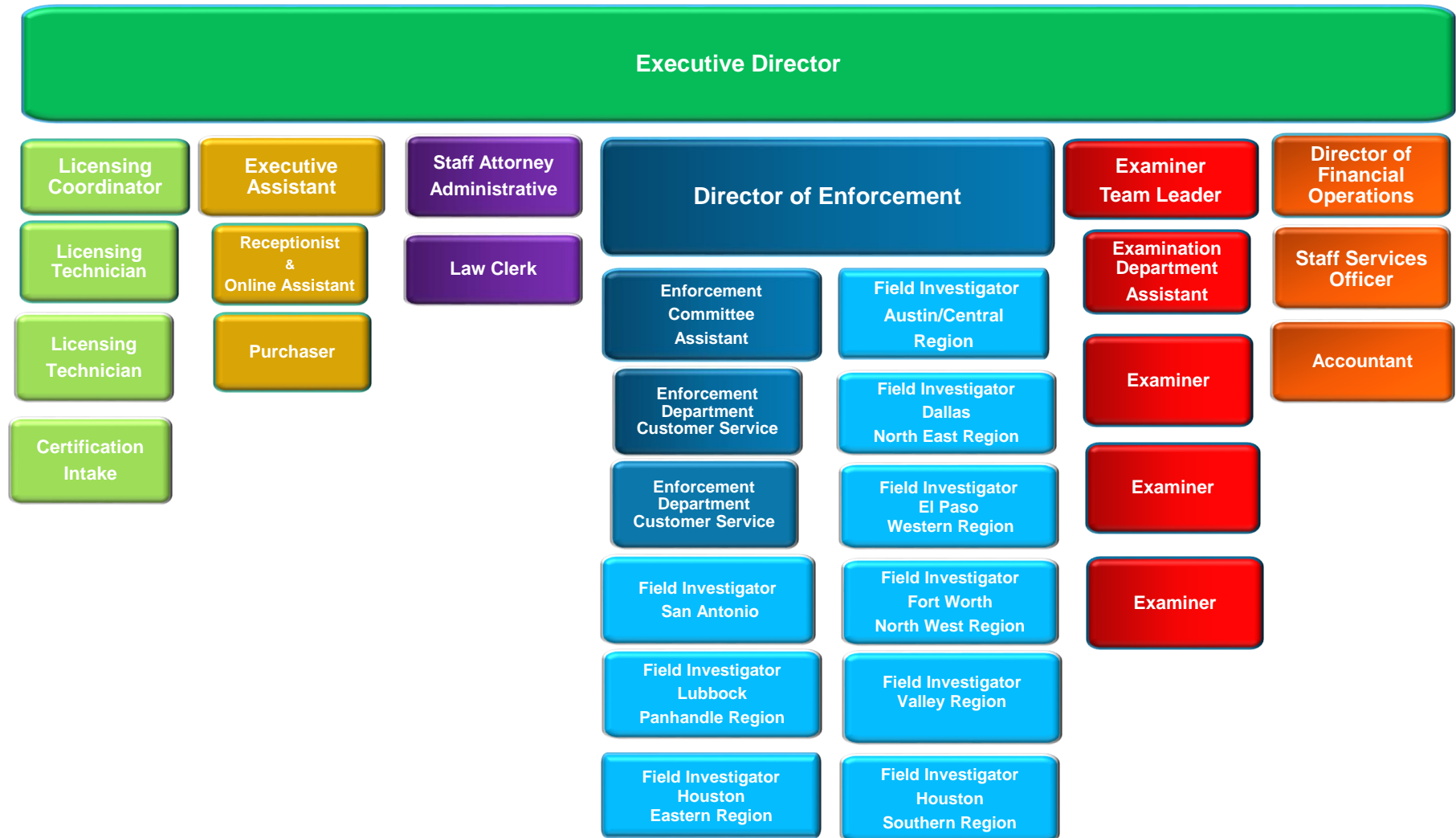
The Board consists of nine members:

<u>NAME</u>	<u>CITY</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Julio Cerda* Chair	Mission	Public Member	09/05/2019
Ben R. Friedman	Dallas	Journeyman Plumber	09/05/2021
David A. Garza*	San Benito	Commercial Builder	09/05/2019
Milton Gutierrez	Fort Worth	Public Member	09/05/2021
Robert F. Jalnos	San Antonio	Plumbing Contractor	09/05/2021
Edward Thompson*	Tyler	Home Builder	09/05/2019
Vacant		Master Plumber	
Vacant		Plumbing Inspector	
Vacant		Professional Engineer	

* Will serve until reappointment

TEXAS STATE BOARD OF PLUMBING EXAMINERS

Organizational Chart - Fiscal Year 2019





Protecting Texans Since 1947

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