

State Bar of Texas

Report to the Board of Directors
November 20, 2017





RSM US LLP

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November 20, 2017

To the Board of Directors
State Bar of Texas
Austin, Texas

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the basic financial statements of State Bar of Texas (the State Bar) as of and for the year ended May 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the State Bar's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the State Bar of Texas.

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Contents

Required communications	1-2
Summary of significant accounting estimates	3-4
Summary of recorded audit adjustments	5-7
Summary of uncorrected misstatements	8
Exhibit A—Letter communicating a significant deficiency and a material weakness in internal control over financial reporting	
Exhibit B—Significant written communication between management and our firm	
Representation letter	

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 3, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated May 3, 2017, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the State Bar. The State Bar did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.
Audit Adjustments	Audit adjustments proposed by us and recorded by the State Bar are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Area	Comments
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating a Significant Deficiency and a Material Weakness in Internal Control Over Financial Reporting	We have separately communicated a significant deficiency and a material weakness in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and management of the State Bar, the representation letter provided to us by management, is attached as Exhibit B.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the State Bar's May 31, 2017, basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Pension Plan Assumptions	Pension plan accounting and disclosures are based on numerous assumptions.	The assumptions include the expected rate of investment return on retirement plan assets, the interest rate used to determine the present value of liabilities and certain employee-related factors. The employee-related factors include turnover, retirement age and mortality. These factors, the estimated discount rate and the rate of return on investments are based upon historical and general market data.	We tested the propriety of information underlying the actuarial assumptions, obtained the actuarial report and had an internal actuarial specialist review the significant assumptions and conclusions. Based on our procedures, we concluded the assumptions are reasonable.
Net Pension Liability	The State Bar discloses the net pension liability, as discussed in Note 9 to the financial statements.	The net pension liability calculation is prepared by an independent actuarial company, Gabriel Roeder Smith & Company, and the Board of Directors reviews the actuarial results and considers the appropriateness of the assumptions.	We obtained the actuary report and had an internal actuarial specialist review the significant assumptions and conclusions for reasonableness and tested the underlying data. We concluded the estimates are reasonable.
Fair Value of Investments	Investments are recorded at fair value.	If available, quoted market prices are used to value instruments. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in debt securities are valued using a yield-based matrix pricing model.	We tested the fair value and estimated fair value of the investments by verifying the quoted market prices used and using a valuation specialist to price marketable securities. We concluded the valuation methods and estimates are reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Useful Life of Capital Assets	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience.	We tested the estimated useful lives to the State Bar's policy. We believe the estimates used by management of the State Bar are reasonable.

Summary of Recorded Audit Adjustments

The following summary of recorded audit adjustments does not include client proposed entries made in the normal course of year-end and reclassification entries made for the purpose of financial statement presentation.

The following adjusting entries relate to the State Bar of Texas's General Fund and Enterprise Fund:

Number	Name	Account No.	Debit	Credit
AJE 1	Accounts Receivable—Sales	03-0000-13005- ENT01		\$ (3,857)
AJE 1	Book Sales	03-6341-40400- ENT01	\$ 3,857	
<i>AUDIT ADJUSTMENT: Entry to reverse book sales shipped subsequent to year-end.</i>			3,857	(3,857)
AJE 2	Display Ads	01-1500-40301- GF01	106,760	
AJE 2	Bar Journal Ad	01-1850-50460- GF01		(15,510)
AJE 2	Bar Journal Ad	01-2100-50460- GF01		(54,750)
AJE 2	Bar Journal Ad	01-2125-50460- GF01		(7,300)
AJE 2	Bar Journal Ad	01-2130-50460- GF01		(14,600)
AJE 2	Bar Journal Ad	01-2135-50460- GF01		(3,650)
AJE 2	Bar Journal Ad	01-2515-50460- GF01		(10,950)
<i>AUDIT ADJUSTMENT: To eliminate intercompany activity for Bar Journal Ads.</i>			106,760	(106,760)

The following adjusting entries relate to the State Bar of Texas Insurance Trust:

Number	Name	Account No.	Debit	Credit
AJE 3	SBOTIT Trust Payable	2000 SBIA	3,953	
AJE 3	Accounts Payable	2011 SBOTIT	62,500	
AJE 3	Deferred Rent	2099 SBOTIT	1,754	
AJE 3	Other	2100 SBIA		(32,144)
AJE 3	Deferred Tax Payable	2120 SBOTIT		(18,087)
AJE 3	Capital Lease Obligation	2400 SBOTIT		(22,580)
AJE 3	Office Expense: Copier/Scanner	5092 SBOTIT	25,565	
AJE 3	Other Expense: Income Tax Expense Audit	5140 SBOTIT	29,840	
AJE 3	Marketing Expense	5170 SBOTIT		(62,500)
AJE 3	Miscellaneous	5171 SBOTIT		(2,985)
AJE 3	Miscellaneous Expense	5200 SBIA	32,144	
AJE 3	Miscellaneous Expense	5200 SBIA		(3,953)
AJE 3	Rent Revenue	PSCO1 SBOTIT		(1,754)
AJE 3	Income Tax Receivable	PSCO9 SBOTIT		(11,753)
<i>RSM AJE: To reverse prior year adjusting journal entries.</i>			155,756	(155,756)
AJE 4	Other Income	4104 SBIA	51,669	
AJE 4	Other Income	4104 SBOTIT	167,938	
AJE 4	Miscellaneous	5171 SBOTIT		(167,938)
AJE 4	Miscellaneous Expense	5200 SBIA		(51,669)
<i>AUDIT ADJUSTMENT: To eliminate revenue and expense recorded for closing and transfer between bank accounts.</i>			219,607	(219,607)

Number	Name	Account No.	Debit	Credit
AJE 5	Frost Bank Operating	1020 SBOTIT		\$ (3,269)
AJE 5	Other Expense: Miscellaneous	5180 SBOTIT	\$ 3,269	
<i>AUDIT ADJUSTMENT: To reverse entry made on December 31, 2016 and reduce Frost cash account to zero (account closed).</i>			3,269	(3,269)
AJE 6	Other Income	4104 SBOTIT	28,099	
AJE 6	Sales	4106 SBOTIT	49,534	
AJE 6	Administration Allowance Income	4107 SBOTIT	28,650	
AJE 6	Billable Expense Income	4108 SBOTIT	250,000	
AJE 6	Other Primary Income	4200 SBIA	14,815	
AJE 6	Rent Revenue	PSCO1 SBOTIT		(49,534)
AJE 6	Royalties	PSCO6 SBOTIT		(56,749)
AJE 6	Commissions	PSCO7 SBIA		(14,815)
AJE 6	Service Agreement Revenue	PSCO7 SBOTIT		(250,000)
<i>RECLASSIFICATIONS: To reclassify State Bar of Texas Insurance Trust State Bar Agency, other income to royalty and commissions.</i>			371,098	(371,098)
AJE 7	Insurance Premiums: Contributions from Subscribers	4000 SBOTIT	42,458	
AJE 7	Insurance Premiums: Contributions from Subscribers	4000 SBOTIT		(583,626)
AJE 7	Deductions: Wire Transfers to Prudential	5370 SBOTIT		(42,458)
AJE 7	Deductions: Wire Transfers to Prudential	5370 SBOTIT	466,901	
AJE 7	Deductions: Wire Transfers to Prudential	5370 SBOTIT	161,127	
AJE 7	Deductions: Wire Transfers to Prudential	5370 SBOTIT		(48,129)
AJE 7	Deductions: Admin. Fee to Prudential	5375 SBOTIT	116,725	
AJE 7	Deductions: Admin. Fee 23%—Prudential	5385 SBOTIT		(161,127)
AJE 7	Deductions: Admin. Fee 23%—Prudential	5385 SBOTIT	48,129	
<i>AUDIT ADJUSTMENT: To correct contributions and administration fees to Prudential.</i>			835,340	(835,340)
AJE 8	Prepaid Expenses	1050 SBOTIT	11,039	
AJE 8	Prepaid Expenses	1050 SBOTIT		(11,039)
AJE 8	Receivable from SBIT Agency	1300 SBOTIT		(9,058)
AJE 8	Intercompany Receivable/Payable	1301 SBOTIT	9,058	
AJE 8	Leasehold Improvements	1401 SBOTIT		(22,073)
AJE 8	Accumulated Depreciation	1402 SBOTIT	22,073	
AJE 8	Deferred Rent	2099 SBOTIT		(9,646)
AJE 8	FICA Medicare Payable	2121 SBOTIT		(114)
AJE 8	FICA Soc. Sec. Payable	2122 SBOTIT		(489)
AJE 8	WH Payable	2123 SBOTIT		(373)
AJE 8	Unremitted Premiums Collected	2130 SBOTIT		(417)
AJE 8	Capital Lease Obligation	2400 SBOTIT	4,033	
AJE 8	Insurance Premiums: Contributions from Subscribers	4000 SBOTIT		(42,458)
AJE 8	Office Expense: Copier/Scanner	5092 SBOTIT		(4,034)
AJE 8	Other Expense: Income Tax Expense Audit	5140 SBOTIT		(29,840)
AJE 8	Marketing Expense	5170 SBOTIT		(187,500)
AJE 8	Miscellaneous	5171 SBOTIT		(23,456)
AJE 8	Lease Equipment	5172 SBOTIT		(4,608)
AJE 8	Agency License	5173 SBOTIT		(75)
AJE 8	Exchange Gain or Loss	5174 SBOTIT		(20,295)
AJE 8	Other Expense: Miscellaneous	5180 SBOTIT	56,425	
AJE 8	Other Expense: Miscellaneous	5180 SBOTIT	40,316	
AJE 8	Office Expense	5270 SBOTIT		(68)
AJE 8	Office Expense: Depreciation Expense	5280 SBOTIT		(7,358)
AJE 8	Office Expense: Storage	5290 SBOTIT		(565)
AJE 8	Office Expense: Storage	5290 SBOTIT	563	
AJE 8	Deductions: Admin Fee 23%—Prudential	5385 SBOTIT	42,459	
AJE 8	Service Agreement Fee	PSCO4 SBOTIT	187,500	
<i>AUDIT ADJUSTMENTS: To adjust trial balance to account for client corrected adjustments.</i>			373,466	(373,466)

Number	Name	Account No.	Debit	Credit
AJE 9	Accounts Payable	2011 SBOTIT		\$ (62,500)
AJE 9	Service Agreement Fee	PSCO4 SBOTIT	\$ 62,500	
<i>AUDIT ADJUSTMENT: To adjust accounts payable and service agreement fee to actual.</i>			62,500	(62,500)

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related financial statement disclosures. Following is a summary of those differences.

State Bar of Insurance Trust									
Description	Assets		Liabilities		Statement of Changes in Net Position				Net Position
	Current	Long-Term	Current	Long-Term	Additions	Deletions	Nonoperating	Income	
To record deferred rent and deferred rental income for lease and sublease as of year end—factual misstatement	\$ 7,892	\$ -	\$ (4,032)	\$ -	\$ (7,892)	\$ 4,032	\$ -	\$ (3,860)	\$ -
Total misstatements	\$ 7,892	\$ -	\$ (4,032)	\$ -	\$ (7,892)	\$ 4,032	\$ -	\$ (3,860)	\$ -
Cumulative misstatement									\$ (3,860)

Governmental Activities/General Fund											
Description	Assets		Liabilities		Statement of Activities/Statement of Revenues, Expenditures and Changes in Fund Balance—			Governmental Funds		Net Change in Net Position/ Fund Balance	Net Position
	Current	Long-Term	Current	Long-Term	Revenues	Expenses/ Expenditures	Nonoperating				
To adjust for revenue recorded in 2017 for State Bar of Texas that related to 2016 year-end—factual misstatement	\$ -	\$ -	\$ -	\$ -	\$ 46,000	\$ -	\$ -	\$ 46,000	\$ (46,000)	\$ (46,000)	
To accrue for revenue for quarter-end State Bar of Texas due from Member Benefits—factual misstatement	\$ 46,000	\$ -	\$ -	\$ -	\$ (46,000)	\$ -	\$ -	\$ (46,000)	\$ -	\$ -	
Total misstatements	\$ 46,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (46,000)	
Cumulative misstatement										\$ (46,000)	

**Exhibit A—Letter Communicating a Significant Deficiency and a
Material Weakness in Internal Control Over Financial Reporting**



RSM US LLP

November 20, 2017

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To Management and the Board of Directors
State Bar of Texas
Austin, Texas

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In planning and performing our audit of the financial statements of State Bar of Texas (the State Bar) as of and for the year ended May 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the State Bar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Bar's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiency in the State Bar's internal control to be a material weakness.

State Bar of Texas Insurance Trust

The State Bar of Texas Insurance Trust (the Trust), which is a component unit of the State Bar, outsources the Trust administrative function to Business Planning Concepts, Inc. (dba Members Benefits), which provides monthly financial reports to the Trust management for review. It was noted during the audit, Members Benefits will post adjusting journal entries, which are not periodically reviewed or approved by Trust management. As a result, the year-end financial statements were inaccurate and required multiple adjusting journal entries and numerous updates to the trial balance originally provided to RSM, US LLP.

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We recommend the State Bar obtain a service organization controls (SOC) report from Members Benefits. In addition, Trust management should provide supervisory reviews and oversight of the information provided by Member Benefits.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the State Bar's internal control to be a significant deficiency.

Restatement for Governmental Accounting Standards Board (GASB) Statement No. 68

The State Bar implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement No. 27*, in prior year. Consideration was given on whether amounts recorded as a result of the implementation should be allocated to the Enterprise fund and Business-Type Activities (BTA). The analysis was based on the number of employees being paid from each fund at time of implementation and management determined the amounts were not material. Because of the large net pension liability, the amount was material and should have been allocated to the major enterprise fund and BTA. As a result, a restatement was required to correct beginning balances for deferred inflows, net pension liability, deferred outflows and net position.

We recommend the State Bar consider the impact of future GASBs on the financial amounts versus nonfinancial factors.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Exhibit B—Significant Written Communication Between Management and Our Firm

STATE BAR OF TEXAS



November 20, 2017

RSM US LLP
811 Barton Springs Road, Suite 500
Austin, Texas 78704

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar of Texas (the State Bar), an agency of the State of Texas, as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the State Bar's financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 20, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 3, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectible amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently decline in value to their realizable value.
 - d. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through May 31, 2017.

5. Related-party transactions, including those with the primary government having accountability for the State Bar, component units for which the State Bar is accountable, other organizations for which the nature and significance of their relationship with the State Bar are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and jointly governed organizations in which the State Bar participates, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. There are no events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. There are no known actual or possible litigation and claims which would be required to be accounted for and disclosed in accordance with U.S. GAAP.
8. We agree with the restatement of the previously issued financial statements described in Note 14. In that regard:
 - a. The restatement corrects an error in previously issued financial statements.
 - b. We were not aware of the error when those financial statements were issued.
 - c. We are not aware of any other errors in those financial statements.
 - d. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.
9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have informed you of all uncorrected misstatements in the financial statements. As of and for the year ended May 31, 2017, we believe that the effects of the uncorrected misstatement aggregated by you and summarized below is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

State Bar of Insurance Trust									
Description	ASSETS		LIABILITIES		Statement of Changes in Net Position			Net Position	
	Current	Long-Term	Current	Long-Term	Additions	Deletions	Nonoperating		Income
To record deferred rent and deferred rental income for lease and sublease as of year end - Factual Misstatement	7,892		(4,032)		(7,892)	4,032		(3,860)	-
Total Misstatements	7,892	0	(4,032)	0	(7,892)	4,032	0	(3,860)	0
Cumulative misstatements									(3,860)

Governmental Activities/General Fund		ASSETS		LIABILITIES		Statement of Activities/Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds				Net Position/ Fund Balance
Description	Current	Long-Term	Current	Long-Term	Revenues	Expenses/ Expenditures	Nonoperating	Net change in net position/fund balance		
To adjust for revenue recorded in 2017 for State Bar of Texas that related to 2016 year-end. - Factual Misstatement					46,000			46,000	(46,000)	
To accrue for revenue for quarter end for State Bar of Texas due from Member Benefits. Factual Misstatement	46,000				(46,000)	0		(46,000)		
Total Misstatements	46,000	0	0	0	0	0	0	0	(46,000)	
Cumulative misstatements									(46,000)	

Information Provided

12. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.

17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
19. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the State Bar's ability to record, process, summarize and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

23. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
 - e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
24. With respect to Management's Discussion & Analysis, the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund, Note to Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund, Schedule of Changes in State Bar's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of Employer Contributions and Notes to Pension Liability are presented as required by the Government Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

The State Bar of Texas



John Sirman
Interim Executive Director



Tracy Jarratt
Finance Division Director



Sandra Carlson
Controller

