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STATE LICENSING BOARD FOR CONTRACTORS GOVERNOR'S OFFICE STATE OF LOUISIANA

FINANCIAL REPORT

December 31, 2012

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Governor's Office
Louisiana State Licensing Board for Contractors
State of Louisiana

We have audited the accompanying basic financial statements of the State Licensing Board for Contractors, a component unit of the State of Louisiana, as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the State Licensing Board for Contractors' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State Licensing Board for Contractors' management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Licensing Board for Contractors as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have issued our report dated May 15, 2013 on our consideration of the State Licensing Board for Contractors' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for postemployment benefits on pages 4 through 7 and pages 28 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Licensing Board for Contractors' basic financial statements. The schedule on page 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State Licensing Board for Contractors' financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begins on page 8.

FINANCIAL HIGHLIGHTS

The Board's total net position increased by $549,836 or 13.6%.

The operating revenues of the Board increased $300,562 or 6.2%.

The non-operating revenues of the Board decreased $1,752 or 5.9%.

The operating expenses of the Board increased $29,442 or 0.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, as may be applicable, and the Board includes a schedule of Board Members' Per Diem as Other Supplementary Information. Other than the MD&A, the Board's required supplementary information includes the Statement of Revenues and Expenditures and Changes in Net Position – Budget (Legal) and Actual – Enterprise Fund and the Schedule of Funding Progress for Postemployment Benefits. These reports fulfill the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis-for State and Local Governments.*

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Board present information about the Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows and related notes to the financial statements.

The Statement of Net Position (p. 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the State Licensing Board for Contractors is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (p. 9) presents information on how the Board's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (p. 10) presents information on how the Board's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended December 31, 2012	Prior Year as of and for the year ended December 31, 2011
Current assets	$ 9,352,858	$ 7,609,637
Capital assets	3,093,497	3,163,248
Total assets	12,446,355	10,772,885
Current liabilities	4,078,464	3,128,628
Noncurrent liabilities	3,762,172	3,588,374
Total liabilities	7,840,636	6,717,002
Net investment in capital assets	3,093,497	3,163,248
Unrestricted	1,512,222	892,635
Total net position	$ 4,605,719	$ 4,055,883
Operating revenues	$ 5,183,912	$ 4,883,350
Operating expenses	4,662,156	4,632,714
Operating income (loss)	521,756	250,636
Non-operating revenues	28,080	29,832
Change in net position	$ 549,836	$ 280,468

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets as of December 31, 2012, amounts to $3,093,497 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and operating facilities, office furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 2.2%.

During the current fiscal year the Board purchased two vehicles and a backup server.

STATE LICENSING BOARD FOR CONTRACTOR'S CAPITAL ASSETS
(net of accumulated depreciation)

	2012	2011
Land and improvements	$ 552,171	$ 554,385
Buildings and operating facilities	2,430,373	2,512,622
Office, furniture and equipment	71,471	96,241
Vehicles	39,482	-
	$ 3,093,497	$ 3,163,248

Additional information on the Board's capital assets can be found in note 3 of the financial statements.

Debts

The Board has not financed purchases or activities through external borrowing or incurring debt, and thus does not have any outstanding bonds or notes for this or the previous fiscal year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees as well as a liability recorded for other postemployment benefits. Both are described in the notes to the financial statements.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS AND ACTUAL RESULTS

The Board's annual budget is on a modified accrual basis of accounting excluding certain non-exchange revenues and non-cash items, such as accrued earnings of compensated absences and depreciation expense. A comparison of budget to actual operations is a required supplementary statement and is presented in Schedule 1 on page 28.

For the year ended December 31, 2012, actual revenue was 104.3% of budgeted amounts.

For the year ended December 31, 2012, total expenditures were 95.4% of budgeted amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Louisiana is home to strong traditional industries, such as petrochemicals and shipbuilding, as well as newer growth industries with strong foundations in technology and research. Our state continues to work aggressively to strengthen our business environment, diversify our economy, and promote business investment opportunities. In 2012 alone, Louisiana announced projects that will result in over 24,000 new jobs and more than $18 billion in capital investment, bringing the five-year total to more than 63,000 new jobs and more than $28 billion in new capital investment. Indeed, across the state, Louisiana has seen economic development wins in the energy, technology, film, digital media and manufacturing industries that are diversifying and growing Louisiana's economy.

Louisiana-- a state that once lagged behind in business climate rankings-now ranks in the top 10 of three major national business climate rankings. Louisiana has significantly outperformed the South and the U. S. in job creation and been among the top 10 states for private sector job growth since 2008. Per capita personal income has increased by more than $2,700 in the last four years.

According to figures obtained from the Bureau of Labor Statistics, the unemployment rate in Louisiana decreased from 7.8% in the state fiscal year 2011 to 7.3% in state fiscal year 2012. During the same period, the U.S. unemployment rate decreased from 9.3% to 8.9%. The national economy is showing signs of growth. The economic outlook for the nation and the state is projected to be positive over the next two fiscal years. Despite the fact that LSLBC has encountered a reduction in residential building contractor licenses for new home construction, there has been an increase for home improvement registration of contractors. A very encouraging statistical report is that there has only been a slight reduction in commercial licenses. There are still a large number of out of state contractors making applications for licensure in Louisiana. It demonstrates that Louisiana may be in better shape than many other states around the nation.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Licensing Board for Contractors, 2525 Quail Drive, Baton Rouge LA 70808.

Statement A

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Net Position | ***December 31, 2012***

ASSETS		
Current Assets		
Cash and cash equivalents	$	4,763,282
Certificates of deposit		4,550,000
Investments		2,493
Other current assets		37,083
Total current assets		9,352,858
Noncurrent Assets		
Property and equipment, net of accumulated depreciation of $ 1,278,031		3,093,497
Total Assets		12,446,355
LIABILITIES		
Current Liabilities		
Accounts payable		336,259
Refunds payable		9,048
Due to Contractor's Educational Trust Fund		345,857
Unearned revenues		3,310,980
Current portion of long-term liabilities:		
Compensated absences payable		76,320
Total current liabilities		4,078,464
Noncurrent Liabilities		
Noncurrent compensated absences		134,067
Other postemployment benefits		3,628,105
Total noncurrent liabilities		3,762,172
Total Liabilities		7,840,636
NET POSITION		
Net investment in capital assets		3,093,497
Unrestricted		1,512,222
Total net position	$	4,605,719

Statement B

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Net Position — ***Year Ended December 31, 2012***

Operating Revenues		
Licenses, permits and fees	$	5,183,912
Operating Expenses		
Personal services		3,244,638
Enforcement mileage reimbursement		141,339
Travel		47,034
Operating services		717,789
Supplies		199,201
Professional services		175,567
Depreciation		127,055
Capital outlay		9,533
Total operating expenses		4,662,156
Operating Income		521,756
Non-Operating Revenues		
Investment income		28,080
Change in Net Position		549,836
Total Net Position, Beginning		4,055,883
Total Net Position, Ending	$	4,605,719

See Notes to Financial Statements.

Statement C

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Cash Flows — ***Year Ended December 31, 2012***

Cash Flows From Operating Activities:	
Cash received from licensees and applicants	$ 5,928,373
Cash received on behalf of others	129,503
Cash paid for agency liabilities	(15,438)
Cash paid to employees for services	(3,069,662)
Cash paid to suppliers for goods and services	(1,209,901)
Net Cash Provided By (Used In) Operating Activities	1,762,875
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(57,304)
Cash Flows From Investing Activities	
Purchase of certificate of deposit	(4,550,000)
Maturities of certificate of deposit	4,850,000
Redemption of investments	1,248,198
Interest received on investments	28,080
Net Cash Provided By (Used In) Investing Activities	1,576,278
Net Increase (Decrease) In Cash And Cash Equivalents	3,281,849
Cash and Cash Equivalents	
Beginning of year	1,481,433
End of year	$ 4,763,282

Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income (loss)	$ 521,756
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	127,055
(Increase) decrease in assets:	
Other current assets	(9,570)
Increase (decrease) in liabilities:	
Compensated absences payable	23,240
Refunds payable	1,699
Accounts payable	117,875
Unearned revenue	742,762
Due to Contractor's Educational Trust Fund	87,500
OPEB liability	150,558
Net Cash Provided By (Used In) Operating Activities	$ 1,762,875

See Notes to Financial Statements.

1. INTRODUCTION

The Louisiana State Licensing Board for Contractors (Board) is a component unit of the State of Louisiana created within the Governor's office, as provided by Louisiana Revised Statute (R.S.) 37:2150. The Board is statutorily composed of 15 members appointed by the governor, who serve terms of two to six years. In addition, there are also 5 members of the Residential Building Contractors Subcommittee appointed by the Governor. The Board is charged with the responsibility of licensing and regulating contractors doing business in the State of Louisiana. In addition, it is responsible for the health, safety, and general welfare of all contractees and the affording of such persons of an effective and practical protection against incompetent, inexperienced, unlawful, and/or fraudulent acts of contractors. Furthermore, legislative intent is that the Board shall monitor construction projects to ensure compliance with the licensure requirements. The Board's operations are financed with self-generated revenues, such as license, examination, and other related fees. As of December 31, 2012, there were approximately 22,467 licensed contractors in the state. The Board has 49 full-time employees and 1 student worker.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Reporting Entity. GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Board is considered a component unit (enterprise fund) of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions and the activities of the Board.

Fund Accounting. All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

The Board uses the following practices in recording revenues and expenses:

Revenues

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expenses

Expenses are generally recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Unearned Revenues

Unearned revenues arise when potential revenues are collected or received prior to being earned.

Agency Transactions

The Board acts as an agent for certain transactions relative to the Contractor's Educational Trust Fund and optional contributions to Louisiana Universities. When acting in this capacity, they do not treat the receipt of funds as revenue, nor do they record an expenditure when they disburse the assets to the recipient. Instead, they act as a go-between.

Budget Practices. The Board submitted its annual budget to the various agencies prescribed by R.S. 39:1331-1342, in accordance with R.S. 36:803. The budget for fiscal year ended December 31, 2012, was adopted by the Board on December 15, 2011, and is prepared and reported on a modified accrual basis of accounting. Although budgeted amounts lapse at year end, the Board retains its unexpended fund balance to fund expenditures of succeeding years.

Cash, Cash Equivalents, and Investments. Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities extending beyond 90 days are considered certificates of deposit. Under state law, the Board may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principle offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificates of accounts of federal or state chartered credit unions.

Capital Assets. Capital assets consist of office and computer equipment, vehicles and the office building and are capitalized at historical costs. These assets, net of accumulated depreciation, are included on the statement of net position. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets. The useful lives are as follows:

Computer equipment	5 years
Office furniture and equipment	6-10 years
Vehicles	5 years
Buildings and building improvements	7-40 years
Land improvements	20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-term Obligations. Long term obligations at December 31, 2012, include compensated absences and other post employment benefit obligations.

Employee Compensated Absences. Employees of the Board earn and accumulate annual and sick leave at varying rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

Upon separation or transfer, unused compensatory leave earned hour for hour by non-exempt employees shall be paid in accordance with the following schedule, at the final regular rate received by the employee, calculated in accordance with State Civil Service Rule 21.5(a). All additional such unused leave may be paid or cancelled and shall not be recredited to him upon his reemployment in that or any other department.

360 hours must be paid after January 1, 2003

450 hours must be paid after January 1, 2004

All hours must be paid after January 1, 2005

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense and a liability in the financial statement in the period in which the leave is earned.

Net Position. Net position comprises the various net earnings from operation, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following two components as applicable:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted consists of all other net assets that are not invested in capital assets.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events. In preparing these financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through May 15, 2013, which is the date the financial statements were available to be issued.

2. Deposits and Investments

Deposits. At December 31, 2012 the Board has deposits totaling $9,313,282 (book balances) as follows:

Petty cash	$ 400
Demand deposits	4,762,882
Certificates of Deposit	4,550,000
Total	$ 9,313,282

These deposits are stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the Board has $9,335,985 in deposits (collected bank balances). These deposits are secured from risk by $8,285,985 of federal deposit insurance and $1,050,000 of pledged securities held by the custodial banks in the name of the fiscal agent banks (GASB Category 3), and therefore exposed to custodial risk.

Investments. The $2,493 in investments at December 31, 2012 is invested LAMP. In accordance with GASB Codification Section 150.165, these investments are not categorized above because they are not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. LAMP is rated AAAm by Standard & Poor's. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

3. Capital Assets

A summary of changes in property and equipment with acquisition costs of $5,000 or greater for the year ended December 31, 2012 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	$ 577,719	$ -	$ -	$ 577,719
Buildings and operating facilities	3,241,211	-	-	3,241,211
Office, furniture and equipment	501,088	11,748	5,794	507,042
Vehicles	45,292	45,556	45,292	45,556
	4,365,310	57,304	51,086	4,371,528
Less accumulated depreciation	1,202,062	127,055	51,086	1,278,031
	$ 3,163,248	$ (69,751)	$ -	$ 3,093,497

4. Pension Plan

Plan Description. Substantially all employees of the Board are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary if they were hired before July 1, 2006. Employees hired on or after July 1, 2006 contribute 8 percent of their annual covered salary and the Board (as the employer) is required to contribute at an actuarially determined rate. The employer rate was 25.6% through June and increased to 29.1% of covered payroll as of July. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Board's employer contributions to LASERS for the years ending December 31, 2012, 2011 and 2010 were $478,160, $410,194 and $391,606 respectively, and were equal to the required contributions for each year.

5. Postemployment Health Care and Life Insurance Benefits

Plan Description. Employees of the board voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy. The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Board are established and may be amended by Louisiana Revised Statute 42:801-883. Employees do not contribute to their post employment benefit cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offered two standard plans for both active and retired employees for fiscal year 2011: the Preferred Provider Organization (PPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans, which are offered on a calendar-year basis. During calendar year 2012, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

Employees with an OGB medical participation start date before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees with an OGB medical participation start date after December 31, 2001, pay a percentage of the total contribution based on the following schedule:

	Retiree Share	State Share
Service		
Under 10 years	81%	19%
10 -14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

The total monthly premium rates effective January 1, 2012:

	PPO	HMO	Medical Home Health Plan
Active			
Single	$ 619	$ 585	$ 609
With spouse	1,315	1,243	1,294
With children	755	714	743
Family	1,387	1,310	1,364
Retired No Medicare & Re-employed Retirees			
Single	$ 1,152	$ 1,092	$ 1,133
With spouse	2,034	1,928	2,001
With children	1,283	1,216	1,262
Family	2,025	1,919	1,991
***Retired with 1 Medicare**			
Single	$ 375	$ 361	$ 368
With spouse	1,384	1,320	1,361
With children	648	621	638
Family	1,844	1,757	1,814
***Retired with 2 Medicare**			
With spouse	$ 673	$ 648	$ 662
Family	834	802	820

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

The total monthly premium rates in effect for the plan year 2010-2011 are as follows:

	PPO	HMO	Medical Home Health Plan
Active			
Single	$ 559	$ 528	$ 532
With spouse	1,187	1,121	1,130
With children	681	644	649
Family	1,251	1,182	1,192
Retired No Medicare & Re-employed Retirees			
Single	$ 1,039	$ 985	$ 990
With spouse	1,835	1,739	1,748
With children	1,158	1,097	1,102
Family	1,826	1,731	1,739
***Retired with 1 Medicare**			
Single	$ 338	$ 326	$ 322
With spouse	1,249	1,191	1,189
With children	585	561	557
Family	1,664	1,585	1,584
***Retired with 2 Medicare**			
With spouse	$ 607	$ 584	$ 578
Family	752	723	716

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

	Medicare Advantage Plans - Calendar Year 2011				
	HMO			Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$ 145	$ 115	$ 258	$ 149	$ 199
Retired, with 2 Medicare					
With Spouse	$ 290	$ 230	$ 516	$ 298	$ 397

	Medicare Advantage Plans - Calendar Year 2012				
	HMO			Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$ 145	$ 115	$ 258	$ 149	$ 199
Retired, with 2 Medicare					
With Spouse	$ 290	$ 230	$ 516	$ 298	$ 397

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by the Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one-half of the premiums. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability The board's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended December 31, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL).

The following schedule presents the components of the board's annual OPEB cost for the fiscal years ended December 31, 2012, the amount actually contributed to the plan, and changes in the board's net OPEB obligation to the OPEB plan:

Annual Required Contribution (ARC)	$ 390,700
Interest on Net OPEB Obligation	139,100
Adjustment of ARC	(132,900)
Annual OPEB Cost	396,900
Contribution (amounts paid by the government during year for OPEB)	(246,342)
Increase in Net OPEB Obligations	150,558
OPEB obligation at beginning of year (1/1/2012)	3,477,547
OPEB obligation at end of year (12/31/2012)	$ 3,628,105

Annual OPEB Cost. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 688,300	23.63%	$ 3,110,751
12/31/2011	$ 561,700	34.70%	$ 3,477,547
12/31/2012	$ 396,900	62.07%	$ 3,628,105

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2012 was as follows:

Actuarial accrued liability (AAL)	$ 5,784,400
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 5,784,400
Funded ratio (actuarial value of plan assets/ AAL)	0.00%
Covered payroll (active plan members)	$ 1,863,078
UAAL as a percentage of covered payroll	310.48%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and the assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% and 9.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The Board's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on a closed basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There are no other changes in assumptions.

6. Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

7. Long Term Obligations

The following is a summary of long-term obligation transactions, which consist of compensated absences and OPEB obligations for the year ended December 31, 2012.

	OPEB Liability	Compensated Absences
Balance at January 1, 2012	$ 3,477,547	$ 185,970
Additions	396,900	109,520
Deductions	(246,342)	(85,103)
Balance at December 31, 2012	3,628,105	210,387
Less amount classified as current	-	76,320
Noncurrent	$ 3,628,105	$ 134,067

8. Litigation and Claims

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the State's risk management program, or by State General Fund appropriation.

9. Unearned Revenue

Unearned revenue of $3,310,980, as reflected on Statement A, represents payments received from applicants for licenses for periods subsequent to December 31, 2012.

10. Agency Transactions

In 1991, the Board established the Contractor's Educational Trust Fund (CETF) with an initial transfer of $2.9 million of surplus board funds. CETF was established to promote, encourage, and further the accomplishment of all activities that are or may benefit all persons engaged or interested in the construction vocation and the affording of such persons of effective and practical education, training, and instructions in the art of proper and lawful construction contracting in and for the State of Louisiana and other such activities that have a public purpose. The initial transfer of $2.9 million was used to fund various endowed professorships and chairs at Louisiana's colleges and universities for construction-related education. These funds were partially matched by the Board of Regents.

R.S. 37:2162 requires the Board to remit any fines and penalties collected less attorney's fees, courts costs and processing costs to the CETF upon the completion of the financial audit. Therefore, the fines and the corresponding liability to the Trust are recognized when the fines are collected. In 2012, the Board issued fines of $1,094,303 with receipts for current and previous year's fines of $345,857. CETF is administered by a group of trustees and continues to fund educational programs related to the construction vocation.

The Attorney General of Louisiana, in Attorney General Opinion 01-0264, has concluded that once the fines are remitted to the CETF, all of the Board's title and interest in the fines are transferred to the CETF trustees and the Board's fiduciary capacity over the fines ceases.

In 2004, House Bill 1420 passed to enact R.S. 37:2156(c)(3) which provided that the Board shall include on each license renewal form issued to a contractor an optional election, whereby the contractor may choose to donate additional funds to a specified public university within Louisiana that offers an accredited, degreed program in the field of construction management. Any such donated funds received by the Board shall be remitted to the university chosen by the contractor. Any such donated funds received by the university shall be used solely for the benefit of their construction management programs. At December 31, 2012 included in cash and cash equivalents was $42,003 collected on behalf of State Universities. The offsetting liability is included in accounts payable.

11. Refunds Payable

Refunds payable result from overpayments received in the application and renewal of licenses. The Board's policy is to refund these overpayments once the licensing or renewal processes are complete. Refunds payable at December 31, 2012 were $9,048.

12. Lease Commitments

The Board has commitments with non-state entities to lease certain equipment. Future minimum rental commitments for equipment operating leases as of December 31, 2012 are as follows:

Years Ending December 31,	
2013	**$ 8,370**

The total rental expense under the operating leases equaled $25,815 at December 31, 2012.

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Required Supplementary Information ***December 31, 2012***

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Revenues, Expenditures and Changes in Net Position
Budget (Legal Basis) and Actual - Enterprise Fund

Year Ended December 31, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Nonbudgeted Items and Adjustments		Actual (Budgetary Basis)	Budget to GAAP Differences Favorable (Unfavorable)
Revenues							
Licenses, permits and fees	$ 4,733,500	$ 4,974,056	$ 5,183,912	$ -		$ 5,183,912	$ 209,856
Investment income	31,500	22,000	28,080	-		28,080	6,080
Total revenues	4,765,000	4,996,056	5,211,992	-		5,211,992	215,936
Expenditures							
Personal services	3,441,553	3,441,553	3,244,638	172,656	(1) & (3)	3,417,294	24,259
Travel	215,210	220,210	188,373	-		188,373	31,837
Operating services	689,837	817,837	717,789	-		717,789	100,048
Supplies	138,200	203,200	199,201	-		199,201	3,999
Professional services	220,600	220,600	175,567	-		175,567	45,033
Capital outlay	59,600	92,656	9,533	57,304	(2)	66,837	25,819
Depreciation	-	-	127,055	(127,055)	(2)	-	-
Total expenditures	4,765,000	4,996,056	4,662,156	102,905		4,765,061	230,995
Excess of revenue over (under) expenditures and other sources	$ -	$ -	549,836	(102,905)		446,931	$ 446,931
Total net position							
Beginning			4,055,883	43,199	(4)	4,099,082	
Ending			$ 4,605,719	$ (59,706)		$ 4,546,013	

Explanation of differences:

(1) Compensated absences are budgeted on the modified accrual basis. Under accounting principles generally accepted in the United States of America, these costs are recognized when the benefit is earned - $22,098

(2) Capital assets are recognized for budget purposes when purchased. Under accounting principles generally accepted in the United States of America, such capital assets are recognized as long-lived assets and depreciation is recognized over the life of the assets, as well as any loss on disposal.

(3) GASB 45 requires recording an expense for the annual OPEB cost of $150,558.

(4) The amount reported as "Net Position" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund net position due to the cumulative effect of transactions such as those described above.

Schedule 2

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Funding Progress for Postemployment Benefits ***Year Ended December 31, 2012***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	$ -	$ 8,893,500	$ 8,893,500	0.00%	$ 1,837,600	483.97%
7/1/2010	$ -	$ 7,617,100	$ 7,617,100	0.00%	$ 1,942,599	392.11%
7/1/2011	$ -	$ 5,784,400	$ 5,784,400	0.00%	$ 1,863,078	310.48%

Schedule 3

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members ***Year Ended December 31, 2012***

	Days		Amount
State Licensing Board for Contractors			
Lloyd Badeaux	11	$	825
William Clouatre	9		675
George Crain, Jr.	7		525
Nelson Dupuy, Jr.	9		675
Courtney Fenet, Jr.	9		675
August Gallo, Jr.	13		975
Danny Graham	8		600
Kenneth Jones	11		825
Donald Lambert	12		900
Chester Lee Mallett	9		675
Garland Meredith	11		825
Christopher Stuart	10		750
Byron Talbot	15		1,125
Art Walker	10		750
Victor Weston	12		900
Residential Building Contractors Subcommittee			
Lloyd Badeaux	12		900
Dana Dugas	12		900
Karon Gibson	11		825
Chester Lee Mallett	2		150
Michael Penn	5		375
William Ward, Jr.	12		900
Ilone Wendel	4		300
Victor Weston	3		225
		$	16,275

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 37:2154 and are included in the expenditures of the General Fund. Board members are paid $75 per day for board meetings and official business.

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor's Office
State Licensing Board for Contractors
State of Louisiana

We have audited the basic financial statements of the State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 2012, and have issued our report thereon dated May 15, 2013May 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the State Licensing Board for Contractors is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State Licensing Board for Contractors' internal control over financial reporting as a basis for designing our auditing procedures 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 Licensing Board for Contractors' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Licensing Board for Contractor's internal control over financial reporting.

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 *material weakness* is a deficiency, or 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.

8550 United Plaza Blvd., Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Licensing Board for Contractors' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Restriction on Use

The purpose of this report is solely for the information and use of the State Licensing Board for Contractors and its management and is not intended to be and should not be used by anyone other than these specified parties. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 15, 2013

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Compliance Findings and Recommendations | *December 31, 2012*

Internal control over financial reporting.
No matters reported.

Noncompliance or other matters material to the financial statements.
No matters were reported.

Management letter.
Management letter issued.

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

State of Louisiana, Licensing Board for Contractors
Governor's Office
State of Louisiana

In planning and performing our audit of the financial statements of State of Louisiana, Licensing Board for Contractors as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered State of Louisiana, Licensing Board for Contractors' internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of State of Louisiana, Licensing Board for Contractors' internal control over financial reporting.

During the course of our audit, no new matters came to our attention regarding the effectiveness of internal control and operating efficiency. We previously reported on the Board's internal control in our letter dated May 15, 2013 which contains our communication that we noted no material weaknesses or significant deficiencies in the Board's internal control. This letter does not affect our report dated May 15, 2013, on the financial statements of State of Louisiana, Licensing Board for Contractors. The attached management letter comments summarize the current status regarding those matters noted in our communication to you dated May 1, 2012. To date, all matters discussed with management in the prior year have been resolved.

This report is intended solely for the use of Board of Directors, management, the Office of the Louisiana Legislative Auditor, and any cognizant agencies, and is not intended and should not be used for any other than these specified parties. However, under the provisions of the Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 15, 2013

STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

MANAGEMENT LETTER COMMENTS – PRIOR YEAR

FOR THE YEAR ENDED DECEMBER 31, 2012

Accounts Payable

Finding:

During the prior year's audit, we noted that the Solomon (General Ledger software) accounts payable feature was not being used to track and account for all year-end payables.

Recommendation:

We recommended that all vendor invoices, once approved, be recorded in the Solomon accounts payable feature in the proper period rather than by a journal entry into an accrual account. Doing so will provide management with an up-to-date listing of all outstanding obligations and facilitate easy payment and preparation of checks for payment.

Current Status:

Resolved

Receipts Posting to General Ledger

Finding:

During the prior year's audit, we noted that the process for importing the daily deposits from CAVU (licensing software prepared by the applications department) into Solomon (General Ledger software). During this observation, it was noted that Edit Reports are prepared by accounting from the CAVU system before posting deposits into the general ledger system. These reports are used during the import process and are being modified by accounting to change descriptions, reference numbers, accounts and amounts for the various transactions.

Recommendation:

We recommended that the Edit Report used during the import process not be modified by accounting. In addition, the software vendor should be contacted to determine why the edit report can be modified and the possibility of deleting this feature from the software program. We suggest that the Board continue the practice of printing the Edit Report both prior to and subsequent to any changes for review purposes, and recommend that the review of the Edit Reports be indicated by the reviewer using their initials and the date on which the review occurred. We further suggest that during the review process, the Edit Reports continue to be compared to the deposit data received from the Applications

Department to ensure that all monetary information is properly included and has not been modified or altered.

Current Status:

Resolved – Management has reviewed the recommendation and believes it to be not cost-effective to have the required programming performed and that the monthly review during the reconciliation process is sufficient to identify any errors or omissions.

License Counts

Finding:

During the prior year's audit, we noted that the Board was unable to provide historical information related to the license counts from the CAVU database. The ability to generate and maintain the historical data related to the license renewals was hindered during the conversion to the multi-year renewal process within the CAVU system. The only license count that is available is the count of current licenses outstanding.

Recommendation:

We recommended that the Board continue working with the software provider and their internal information technology department to ascertain a method of capturing the historical data of the license numbers for new and renewed applications issued during the year. The ability to utilize this data will be essential in the analytical and budgeting processes for the Board related to the revenue processes.

Current Status:

Resolved - The Board has contracted with Keith Horton LLC. Mr. Horton has completed the project that automatically creates, from the CAVU system, a historical database which enables the Board to capture and retrieve historical license counts and terms related to new and renewed applications during the year.