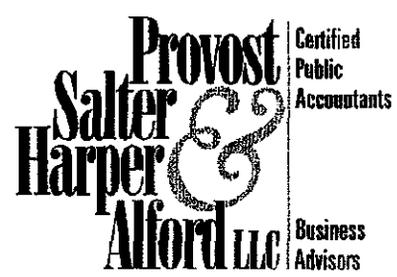


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**STATE LICENSING
BOARD FOR CONTRACTORS
GOVERNOR'S OFFICE
STATE OF LOUISIANA**

FINANCIAL REPORT

December 31, 2007



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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

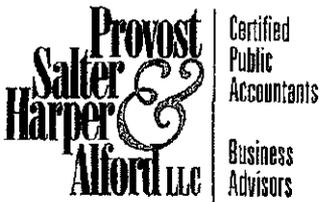
Release Date 6/11/08

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

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December 31, 2007

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

State Licensing Board for Contractors
Governor's Office
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 and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the State Licensing Board for Contractors' management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2007, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 30, 2008 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 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 Accounting Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information on pages 3 through 6 and pages 22 through 24, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the State Licensing Board for Contractors basic financial statements. The schedule on page 26 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 30, 2008

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, 2007. 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 7.

FINANCIAL HIGHLIGHTS

The Board's net assets decreased by \$653,107 or 12%

The operating revenues of the Board increased \$62,909 or 1%

The non-operating revenues of the Board increased \$60,735 or 33%

The operating expenses of the Board increased \$1,545,689 or 41%

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information, as may be applicable. The Board includes a schedule of Board Members' Per Diem. Other than the MD&A, the Board's required supplementary information includes the Statement of Revenue and Expenses and Changes in Budget vs. Actual and the Schedule of Funding Progress for Postemployment Benefits. This report fulfills 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 Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (p. 7) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets 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 Assets (p. 8) presents information on how the Board's assets changed as a result of current year operations. Regardless of when cash is affected, all

MANAGEMENT'S DISCUSSION AND ANALYSIS

changes in net assets 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. 9) 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, 2007 | Prior Year as of and for the year ended December 31, 2006 |
|-----------------------------|--|--|
| Current assets | \$ 6,352,642 | \$ 5,710,613 |
| Capital assets | 2,425,843 | 2,487,490 |
| Total assets | 8,778,485 | 8,198,103 |
| Current liabilities | 2,842,922 | 2,651,237 |
| Noncurrent liabilities | 1,093,366 | 51,562 |
| Total liabilities | 3,936,288 | 2,702,799 |
| Invested in capital assets | 2,425,843 | 2,487,490 |
| Unrestricted | 2,416,354 | 3,007,814 |
| Total net assets | \$ 4,842,197 | \$ 5,495,304 |
| Operating revenues | \$ 4,425,777 | \$ 4,362,868 |
| Operating expenses | 5,322,465 | 3,776,776 |
| Operating income (loss) | (896,688) | 586,092 |
| Non-operating revenues | 243,581 | 182,846 |
| Change in net assets | \$ (653,107) | \$ 768,938 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2007, the Board implemented GASB 45, which requires that a liability and expense be recorded for other post employment benefits. The additional liability and expense equaled \$991,307 which decreased net assets, increased noncurrent liabilities and operating expenses compared to the prior year.

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets as of December 31, 2007, amounts to \$2,425,843 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and operating facilities, construction in progress, office, furniture and equipment and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 2.5%.

During the current fiscal year there were no significant capital assets purchased.

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

| | 2007 | 2006 |
|------------------------------------|---------------------|---------------------|
| Land and improvements | \$ 563,239 | \$ 565,452 |
| Buildings and operating facilities | 1,709,332 | 1,763,964 |
| Construction in progress | 35,264 | - |
| Office, furniture and equipment | 103,137 | 139,405 |
| Vehicles | 14,872 | 18,669 |
| | <u>\$ 2,425,843</u> | <u>\$ 2,487,490</u> |

Additional information on the Board's capital assets can be found in note 4 of the financial statements.

Debts

The Board has not financed 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 described in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Statement D on page 23.

For the year ended December 31, 2007, actual revenue was 90% of budgeted amounts.

For the year ended December 31, 2007, total expenditures were 87% of budgeted amounts; this is result of delays to expand facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board anticipates an entire roof replacement of its building, interior and exterior renovations to offices, HVAC improvements, and improvements to the parking lot. The Board anticipates the renovation project to begin by June 15th of 2008 and be completed by the 3rd quarter of 2008.

The Board anticipates a decrease in the trend of new applications for all types of licenses with the Board's regulatory authority.

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, P O Box 14419, Baton Rouge LA 70898-4419.

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

Statement A

Statement of Net Assets

December 31, 2007

ASSETS

Current Assets

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 2,729,421 |
| Certificates of deposit | 3,600,000 |
| Other current assets | 23,221 |
| Total current assets | <u>6,352,642</u> |

Noncurrent Assets

| | |
|---|------------------|
| Property and equipment, net of accumulated depreciation of \$ 614,076 | <u>2,425,843</u> |
|---|------------------|

Total Assets

8,778,485

LIABILITIES

Current Liabilities

| | |
|---|------------------|
| Accounts payable | 185,996 |
| Refunds payable | 36,827 |
| Due to Contractor's Educational Trust Fund | 363,288 |
| Deferred revenues | 2,142,467 |
| Current portion of long-term liabilities: Compensated absences payable | <u>114,344</u> |
| Total current liabilities | <u>2,842,922</u> |

Noncurrent Liabilities

| | |
|---------------------------------|------------------|
| Noncurrent compensated absences | 101,996 |
| Other postemployment benefits | <u>991,370</u> |
| Total non-current liabilities | <u>1,093,366</u> |

Total Liabilities

3,936,288

NET ASSETS

| | |
|----------------------------|---------------------|
| Invested in capital assets | 2,425,843 |
| Unrestricted | <u>2,416,354</u> |
| Total Net Assets | <u>\$ 4,842,197</u> |

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

*Statement B**Statement of Revenues, Expenses and
Changes in Net Assets**Year Ended December 31, 2007*

| | |
|------------------------------------|----------------------------|
| Operating Revenues | |
| Licenses, permits and fees | \$ 4,425,777 |
| Operating Expenses | |
| Personal services | 3,899,180 |
| Travel | 210,053 |
| Operating services | 739,054 |
| Supplies | 131,687 |
| Professional services | 239,946 |
| Depreciation | 102,545 |
| Total operating expenses | <u>5,322,465</u> |
| Operating Income | <u>(896,688)</u> |
| Non-Operating Revenues | |
| Investment income | <u>243,581</u> |
| Change in Net Assets | <u>(653,107)</u> |
| Total Net Assets, Beginning | <u>5,495,304</u> |
| Total Net Assets, Ending | <u><u>\$ 4,842,197</u></u> |

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

Statement C

Statement of Cash Flows

Year Ended December 31, 2007

| | |
|---|---------------------------------|
| Cash Flows From Operating Activities: | |
| Cash received from licensees and applicants | \$ 4,476,624 |
| Cash received on behalf of others | 318,586 |
| Cash paid for agency liabilities | (130,268) |
| Cash paid to employees for services | (2,895,787) |
| Cash paid to suppliers for goods and services | <u>(1,334,644)</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>434,511</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Purchase of capital assets | <u>(40,898)</u> |
| Cash Flows From Investing Activities | |
| Purchase of certificate of deposit | (3,600,000) |
| Maturities of certificate of deposit | 3,900,000 |
| Interest received on investments | <u>243,581</u> |
| Net Cash Provided By (Used In) Investing Activities | <u>543,581</u> |
| Net Increase (Decrease) In Cash And Cash Equivalents | 937,194 |
| Cash and Cash Equivalents | |
| Beginning of year | <u>1,792,227</u> |
| End of year | <u><u>\$ 2,729,421</u></u> |
| Reconciliation of Operating Income to Net Cash Provided | |
| By Operating Activities: | |
| Operating income (loss) | \$ (896,688) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation | 102,545 |
| (Increase) decrease in Assets: | |
| Other current assets | (4,835) |
| Increase (decrease) in Liabilities: | |
| Compensated absences payable | 12,023 |
| Refunds payable | (5,390) |
| Accounts payable | (5,602) |
| Deferred revenue | 61,072 |
| Due to Contractor's Educational Trust Fund | 180,016 |
| OPEB Liability | <u>991,370</u> |
| Net Cash Provided By (Used In) Operating Activities | <u><u>\$ 434,511</u></u> |

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

Notes to Financial Statements

December 31, 2007

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 7 members of the Residential Building Contractors Subcommittee appointed by the Governor. The Board is charged with the responsibility of protecting the health, safety, and general welfare of all persons associated with those in the contracting vocation and affording such persons 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, 2007, there were approximately 21,889 licensed contractors in the state. The Board has 59 full-time employees, 5 part-time employees, 2 student workers and 3 temporary workers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. 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. The Governmental Accounting Standards Boards (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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Board has the option to apply FASB pronouncements issued after that date to its business-type activities, the Board has chosen not to do so.

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 only the activity of the Board.

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

Notes to Financial Statements, Continued

December 31, 2007

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 Assets.

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.

Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

Notes to Financial Statements, Continued

December 31, 2007

Deferred Revenues

Deferred revenues arise when potential revenues is collected or received prior to being earned. The Board recognizes all renewal licenses received before December 31st for the subsequent year licenses as deferred revenue.

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, 2007, was adopted by the Board on December 14, 2006, 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 maturities of 90 days or less. Certificates of deposit with 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 and Long-term Obligations 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 assets. Depreciation for financial reporting purposed is computed by the straight-line method over the useful lives of the assets. The useful lives are as follows:

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

Notes to Financial Statements, Continued

December 31, 2007

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

In 2007, the Board began planning the renovation of their office building. The architect fees were capitalized as Construction in Progress with no Allowance for Depreciation. The building and all applicable costs will be depreciated once the building is complete.

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 at December 31, 2007, 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.

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave (K-time) earned. Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

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 Assets Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following two components as applicable:

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

Notes to Financial Statements, Continued

December 31, 2007

Invested in capital assets, net of related debt 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 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.

2. Cash and Cash Equivalents

The board has cash (book balance) totaling \$2,729,421 at December 31, 2007, which consists of following:

| | |
|--|---------------------|
| Demand deposits | \$ 1,629,021 |
| CDs with maturities of 90 days or less | 1,100,000 |
| Petty cash | <u>400</u> |
| Total | <u>\$ 2,729,421</u> |

Custodial credit risk is the risk that in the event of a bank failure, the board's deposits may not be recovered. Under state law, the board's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the board or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2007, the board's total bank balance of \$2,756,714 was fully insured and collateralized and therefore not exposed to custodial credit risk.

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

Notes to Financial Statements, Continued

December 31, 2007

3. Investments

At December 31, 2007, the board has investments totaling \$3,600,000 which consists of certificates of deposit with maturities over 90 days from the date of purchase.

The board's established investment policy follows the state law (R.S. 49:327), which authorizes the board to invest funds in time certificates of deposit.

A summary of the board's investment follows:

| | Percentage of Investments | Fair Value | Investment Maturity Date |
|---|--------------------------------------|-----------------------|---|
| Type of investment - certificates of deposit | <u>100%</u> | <u>\$ 3,600,000</u> | Range from 6 months to 9 months |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the board's investments as described previously. The board does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the board's \$3,600,000 in total investments, all of the underlying securities are held by counterparties in the name of the board.

Concentration of credit risk is the risk of loss attributed to the magnitude of a board's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to boards and commissions does not address interest rate risk. The board does not have policies to limit concentration of credit risk or interest rate risk.

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

Notes to Financial Statements, Continued

December 31, 2007

4. Capital Assets

A summary of changes in property and equipment with acquisition costs of \$5,000 or greater for the year ended December 31, 2007 is as follows:

| | Beginning of Year | Additions | Reductions | End of Year |
|---------------------------------------|----------------------|--------------------|---------------|---------------------|
| Land and improvements | \$ 577,719 | \$ - | \$ - | \$ 577,719 |
| Buildings and operating facilities | 2,136,542 | - | - | 2,136,542 |
| Construction in progress | - | 35,264 | - | 35,264 |
| Office, furniture and equipment | 286,932 | 5,634 | 61,371 | 231,195 |
| Vehicle | 59,199 | - | - | 59,199 |
| | <u>3,060,392</u> | <u>40,898</u> | <u>61,371</u> | <u>3,039,919</u> |
| Less accumulated depreciation | 572,902 | 102,545 | 61,371 | 614,076 |
| | <u>\$ 2,487,490</u> | <u>\$ (61,647)</u> | <u>\$ -</u> | <u>\$ 2,425,843</u> |

5. 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.

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

Notes to Financial Statements, Continued

December 31, 2007

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 current employer rate is 20.4 percent of annual covered payroll. 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, 2007, 2006 and 2005 were \$363,312, \$323,874, and \$302,865, respectively, and were equal to the required contributions for each year.

6. Postemployment Health Care and Life Insurance Benefits

Plan Description. The Board of Trustees of the State Employees Group Benefits Program was created within the Office of the Governor, Division of Administration, and effective July 1, 1998, as provided by Louisiana Revised Statute (R.S.) 42:801. Act 1178 of the 2001 Regular Session of the Louisiana Legislature changed the name of the State Employees Group Benefits Program to the Office of Group Benefits and removed the authority of the Board of Trustees to make policy decisions. The Office of Group Benefits is a cost-sharing, multiple-employer defined OPEB plan. The office was formed to administer a program of group health and life insurance for active and retired state employees, active and retired school board employees, and certain political subdivisions' employees, as authorized by state statute. The office also administers the cafeteria plan and flexible-spending plan for plan members. The Office of Group Benefits issues a publicly available financial statement and required supplementary information. That report may be obtained by writing to Office of Group Benefits, 7389 Florida Boulevard, Suite 400, Baton Rouge, LA 70806, or by calling 1-800-272-8451.

Funding Policy. These benefits for retirees and similar benefits for active employees are provided through the Office of Group Benefits. The monthly premiums are paid jointly by the retirees and the Board. The participating employees and retirees receiving benefits are required to contribute to the plan at rates published annually in the Office of Group Benefits' official Schedule of Rates depending on their status and benefit option.

The Board is required to contribute the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 60% of annual covered payroll.

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

Notes to Financial Statements, Continued

December 31, 2007

Annual OPEB Cost. For 2007, The Board's annual other postemployment benefit (OPEB) cost (expense) of \$1,117,000 was equal to the ARC. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percent of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 12/31/2007 | \$ 1,116,800 | 11.23% | \$ 991,370 |

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2007, was as follows:

| | |
|--|---------------------|
| Actuarial accrued liability (AAL) | \$ 9,822,400 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability | <u>\$ 9,822,400</u> |
| Funded ratio (actuarial value of plan assets/ AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 1,868,661 |
| UAAL as a percentage of covered payroll | 525.64% |

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 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.

**STATE LICENSING BOARD FOR CONTRACTORS,
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Notes to Financial Statements, Continued

December 31, 2007

Actuarial Methods and Assumptions. 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.

7. 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.

8. 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, 2007.

| | OPEB Liability | Compensated Absences |
|-----------------------------------|---------------------------|---------------------------------|
| Balance at January 1, 2007 | \$ - | \$ 204,317 |
| Additions | 991,370 | 121,948 |
| Deductions | - | 109,925 |
| | <hr/> | <hr/> |
| Balance at December 31, 2007 | 991,370 | 216,340 |
| | <hr/> | <hr/> |
| Less amount classified as current | - | 114,344 |
| | <hr/> | <hr/> |
| Non current | \$ 991,370 | \$ 101,996 |
| | <hr/> | <hr/> |

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

Notes to Financial Statements, Continued

December 31, 2007

9. 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.

10. Deferred Revenue

Deferred revenue of \$2,142,467, as reflected on Statement A, represents payments received from applicants for licenses for period subsequent to December 31, 2007.

11. 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 2007, the Board issued fines of \$2,594,571 with receipts for current and previous year's fines of \$363,288. 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.

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

Notes to Financial Statements, Continued

December 31, 2007

Any such donated funds received by the university shall be used solely for the benefit of their construction management programs. At December 31, 2007 included in cash and cash equivalents was \$40,223 collected on behalf of State Universities. The offsetting liability is included in accounts payable.

12. 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, 2007 were \$36,827.

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

Required Supplementary Information

December 31, 2007

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

Schedule 1

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

Year Ended December 31, 2007

| | Budgeted Amounts | | Actual (Budgetary Basis) | Budget to GAAP Differences Over (Under) | Actual Amounts GAAP Basis |
|---|------------------|------------------|--------------------------------|---|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Licenses, permits and fees | \$ 5,071,101 | \$ 5,071,101 | \$ 4,425,777 | \$ - | \$ 4,425,777 |
| Investment income | 123,650 | 123,650 | 243,581 | - | 243,581 |
| Total revenues | 5,194,751 | 5,194,751 | 4,669,358 | - | 4,669,358 |
| Expenditures | | | | | |
| Personal services | 3,114,585 | 3,114,585 | 2,895,787 | 1,003,393 (1) & (4) | 3,899,180 |
| Travel | 245,568 | 245,568 | 210,053 | - | 210,053 |
| Operating services | 888,926 | 888,926 | 774,318 | (55,264) (2) | 739,054 |
| Supplies | 113,250 | 113,250 | 59,488 | 72,199 (2) | 131,687 |
| Professional services | 317,000 | 317,000 | 239,946 | - | 239,946 |
| Capital outlay | 1,466,219 | 1,466,219 | 77,833 | (77,833) (2) | - |
| Depreciation | - | - | - | 102,545 (2) | 102,545 |
| Total expenditures | 6,145,548 | 6,145,548 | 4,257,425 | 1,065,040 | 5,322,465 |
| Excess of Revenues Over Expenditures | (950,797) | (950,797) | 411,933 | (1,065,040) | (653,107) |
| Total non-current liabilities | | | | | |
| Beginning | | | 3,211,197 | 2,284,107 (3) | 5,495,304 |
| Ending | | | \$ 3,623,130 | \$ 1,219,067 | \$ 4,842,197 |

Explanation of differences:

- (1) Compensated absences are budgeted on a modified accrual basis. Under generally accepted accounting principals these costs are recognized when the benefit is earned.
- (2) Capital assets are recognized for budget purposes when purchased. Under generally accepted accounting principals, 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) The amount reported as "Net Assets" 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 assets due to the cumulative effect of transactions such as those described above.
- (4) GASB 45 was implemented in 2007 which requires recording an expense for the annual OPEB cost.

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

Schedule 2

Schedule of Funding Progress for Postemployment Benefits

Year Ended December 31, 2007

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|--------------|--------------|-----------------|---|
| 6/30/2007 | \$ - | \$ 9,822,400 | \$9,822,400 | 0.00% | \$ 1,868,661 | 525.64% |

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

Other Supplementary Information

December 31, 2007

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

Schedule 3

Schedule of Per Diem Paid Board Members

Year Ended December 31, 2007

| | Days | Amount |
|--|------|------------------|
| State Licensing Board for Contractors | | |
| Phyllis Adams | 6 | \$ 450 |
| Tara Brown | 8 | 600 |
| George Crain, Jr. | 6 | 450 |
| Don Descant | 9 | 675 |
| Nelson Dupuy | 9 | 675 |
| Arthur Favre | 10 | 750 |
| David Gallo | 4 | 300 |
| August Gallo | 5 | 375 |
| Jonathan Holloway | 6 | 450 |
| Kenneth Jones | 10 | 750 |
| Donald Lambert | 35 | 2,625 |
| Garland Meredith | 11 | 825 |
| Byron Talbot | 15 | 1,125 |
| Victor Weston | 43 | 3,225 |
| Kirk Williams | 5 | 375 |
| Bertrand Wilson | 8 | 600 |
| | | |
| Residential Building Contractors Subcommittee | | |
| Tara Brown | 8 | 600 |
| Dana Dugas | 11 | 825 |
| Kenneth Jones | 10 | 750 |
| Patrick Leblanc | 11 | 825 |
| Wilson Reado | 1 | 75 |
| Charles Vasocu | 9 | 675 |
| Ilone Wendel | 11 | 825 |
| | | \$ 18,825 |

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.



Certified
Public
Accountants

Business
Advisors

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

State Licensing Board for Contractors
Governor's Office
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 and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. 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

In planning and performing our audit, we considered the State Licensing Board for Contractor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Licensing Board for Contractor's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State Licensing Board for Contractor's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State Licensing Board for Contractor's financial statements that is more than inconsequential will not be prevented or detected by the State Licensing Board for Contractor's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State Licensing Board for Contractor's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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

As part of obtaining reasonable assurance about whether the state Licensing Board for Contractor's basic 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended 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. 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 30, 2008

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

Schedule of Compliance Findings and Recommendations

December 31, 2007

Internal control over financial reporting.

No matters reported.

Noncompliance or other matters material to the financial statements.

No matters were reported.

Management letter.

No management letter issued.

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

*Independent Auditor's Comments on Resolution of
Prior Audit Findings*

December 31, 2007

Finding 2006-1 Noncompliance with State Travel Regulations-No instances of noncompliance were noted in the current year.