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

FINANCIAL REPORT

December 31, 2006

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

Release Date 6-13-07

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

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Provost Salter Harper & Alford LLC
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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, 2006, 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 an opinion 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 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, 2006, 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 a report, dated May 14, 2007 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.

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The management's discussion and analysis and the other required supplementary information on pages 3 through 5 and page 20, 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 22 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 14, 2007

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, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts.

FINANCIAL HIGHLIGHTS

The Board's net assets increased by $768,938 or 16.3%

The operating revenues of the Board increased $389,953 or 9.8%

The non-operating revenues of the Board increased $101,546 or 125%

The operating expenses of the Board increased $357,908 or 10.5%

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.

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 Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (p. 6) 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 Fund Net Assets (p. 7) 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 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. 8) 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. It 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, 2006		Prior Year as of and for the year ended December 31, 2005
Current assets	$	5,710,613	$	4,469,085
Capital assets		2,487,490		2,514,164
Total assets		8,198,103		6,983,249
Current liabilities		2,651,237		2,161,176
Noncurrent liabilities		51,562		95,707
Total liabilities		2,702,799		2,256,883
Invested in capital assets		2,487,490		2,514,164
Unrestricted		3,007,814		2,212,202
Total net assets	$	5,495,304	$	4,726,366
Operating revenues	$	4,362,868	$	3,972,915
Operating expenses		3,776,776		3,418,868
Operating income (loss)		586,092		554,047
Non-operating revenues		182,846		81,300
Change in net assets	$	768,938	$	635,347

A comparison of budget to actual operations is a required supplementary statement and is presented in Statement D on page 20. Total revenue was $527,711 above budgeted amounts; this is a result of adding processing fees for licenses and the increase in contractors obtaining licenses after the devastation caused by 2005 hurricanes Katrina and Rita. Total expenditures were $594,464 below budgeted amounts; this is the result of delays in filling planned positions and the delay of plans to expand facilities and purchase computer equipment.

CAPITAL ASSETS

The Board's investment in capital assets as of December 31, 2006, amounts to $2,487,490 (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 1.1%.

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

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

	2006	2005
Land and improvements	$ 565,452	$ 567,666
Buildings and operating facilities	1,763,964	1,807,273
Office, furniture and equipment	139,405	134,840
Vehicles	18,669	4,385
	$ 2,487,490	$ 2,514,164

Additional information on the Board's capital assets can be found in note 4 on page 13.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to the increase in license applications and renewals, the Board is currently in the planning stages to build a new addition which will increase the office capacity and parking. In addition, roof and HVAC repairs are also planned. The Board expects to begin these projects in 2007.

Other aspects of the Board's operations for 2007 should remain consistent with 2006.

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.

Statement A

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

Statement of Net Assets — ***December 31, 2006***

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,792,227
Certificates of deposit	3,900,000
Other current assets	18,386
Total current assets	5,710,613
Noncurrent Assets	
Property and equipment, net of accumulated depreciation of $ 572,902	2,487,490
Total Assets	8,198,103
LIABILITIES	
Current Liabilities	
Accounts payable	191,598
Refunds payable	42,217
Due to Contractor's Educational Trust Fund	183,272
Deferred revenues	2,081,395
Current portion of long-term liabilities:	
Compensated absences payable	152,755
Total current liabilities	2,651,237
Noncurrent Compensated Absences	51,562
Total Liabilities	2,702,799
NET ASSETS	
Invested in capital assets	2,487,490
Unrestricted	3,007,814
Total Net Assets	$ 5,495,304

See Notes to Financial Statements.

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

Statement of Revenues, Expenses and Changes in Fund Net Assets — *Year Ended December 31, 2006*

Operating Revenues		
Licenses, permits and fees	$	4,362,868
Operating Expenses		
Personal services		2,654,316
Travel		183,189
Operating services		601,349
Supplies		81,399
Professional services		161,255
Depreciation		95,268
Total operating expenses		3,776,776
Operating Income		586,092
Non-Operating Revenues		
Investment income		182,846
Change in Net Assets		768,938
Total Net Assets, Beginning		4,726,366
Total Net Assets, Ending	$	5,495,304

Statement C

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

Statement of Cash Flows ***Year Ended December 31, 2006***

Cash Flows From Operating Activities:		
Cash received from licensees and applicants	$	4,632,300
Cash paid to employees for services		(2,564,615)
Cash paid to suppliers for goods and services		(942,375)
Net Cash Provided By (Used In) Operating Activities		1,125,310
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets		(68,594)
Cash Flows From Investing Activities		
Purchase of certificate of deposit		(3,900,000)
Maturities of certificate of deposit		2,600,000
Interest received on investments		182,846
Net Cash Provided By (Used In) Investing Activities		(1,117,154)
Net Increase (Decrease) In Cash And Cash Equivalents		(60,438)
Cash and Cash Equivalents		
Beginning of year		1,852,665
End of year	$	1,792,227
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income (loss)	$	586,092
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation		95,268
(Increase) decrease in Assets:		
Other current assets		(1,966)
Increase (decrease) in Liabilities:		
Compensated absences payable		22,405
Refunds payable		(61,067)
Accounts payable		67,296
Deferred revenue		332,465
Due to Contractor's Educational Trust Fund		84,817
Net Cash Provided By (Used In) Operating Activities	$	1,125,310

See Notes to Financial Statements.

1. Nature of Activities and Significant Accounting Policies

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 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, 2006, there were approximately 20,414 licensed contractors in the state. The Board has 62 employees.

Basis of Presentation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. 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. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

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.

Deferred Revenues

Deferred revenues arise when potential revenues is 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 make an expenditure when they disburse the assets to the recipient. Instead, they act as a go-between.

Budget Practices. Annually, the Board is required to submit a proposed budget to the Joint Legislative Committee on the Budget, the Legislative Fiscal Office, the Governor's Office, and the Office of the Legislative Auditor, as prescribed by R.S. 39:1335. The budget for fiscal year ended December 31, 2006, was adopted by the Board on December 15, 2005, 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.

Under state law, the Board is also authorized to invest in direct U.S. Treasury obligations that mature not more than twenty-nine days after the date of purchase.

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 $1,792,227 at December 31, 2006, which consists of following:

Demand deposits	$ 1,792,027
Petty cash	200
Total	$ 1,792,227

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, 2006, the board's total bank balance of $1,862,798 was fully insured and collateralized and therefore not exposed to custodial credit risk.

3. Investments

At December 31, 2006, the board has investments totaling $3,900,000 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	100%	$ 3,900,000	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 $3,900,000 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.

4. Property and Equipment

The accompanying statements reflect property and equipment used by the Board in daily operations. Those assets are recorded at cost. A summary of changes in property and equipment with acquisition costs of $5,000 or greater for the year ended December 31, 2006 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	$ 577,719	$ -	$ -	$ 577,719
Buildings and operating facilities	2,126,203	10,339	-	2,136,542
Office, furniture and equipment	252,928	39,270	5,266	286,932
Vehicle	53,172	18,985	12,958	59,199
	3,010,022	68,594	18,224	3,060,392
Less accumulated depreciation	495,858	95,268	18,224	572,902
	$ 2,514,164	$ (26,674)	$ -	$ 2,487,490

The depreciable assets are depreciated using the straight-line method of allocating asset costs over the following useful lives.

Computer equipment	5 years
Office furniture and equipment	6 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.

5. Retirement System

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.

Eligibility. All full-time Board employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to $300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Funding Policy. Plan members are required by state statute to contribute 7.5 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 19.1 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, 2006, 2005 and 2004 were $323,874, $302,865, and $262,141, respectively, and were equal to the required contributions for each year.

In addition, several employees participate in the Social Security System. Employer contributions to Social Security for the year ended December 31, 2006 were $6,500.

6. Post-retirement Health Care and Life Insurance Benefits

The Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board's employees become eligible for these benefits if they reach normal retirement age while working for the Board. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the Board. The Board recognizes the cost of providing these benefits (Board's portion of premiums) as an expenditure when paid during the year. For the year ended December 31, 2006, the cost of benefits for 22 retirees totaled $91,184.

7. Compensated Absences

Employees of the Board earn and accumulate vacation and sick leave at varying rates, depending on their years of service. The amount of vacation 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 vacation leave at the employee's hourly rate of pay at the time of termination.

The following are the changes in compensated absences during the year:

Balance at January 1, 2006	$	181,912
Additions		158,406
Deductions		136,001
Balance at December 31, 2006		204,317
Less amount classified as current		152,755
Non current	$	51,562

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. Deferred Revenue

Deferred revenue of $2,081,395, as reflected on Statement A, represents payments received from applicants for licenses for period subsequent to December 31, 2006.

10. 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.

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 2006, the Board issued fines of $1,690,106 with receipts for current and previous year's fines of $183,772. 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, 2006 included in cash and cash equivalents was $53,003 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, 2006 were $42,217.

13. Change in Method of Classifying Cash Equivalents

The Board has changed the method of classifying cash equivalents. Certificates of deposit with original maturities of three months or more at date of purchase are carried at cost, which approximates fair value, are considered to be certificates of deposit. These investments were previously classified as cash equivalents. All other certificates with maturities of 3 months or less are considered to be cash equivalents. This change has no effect on net assets; however the beginning cash and cash equivalent balance of $1,852,665 as presented on the statement of cash flows reflects a $2,600,000 decrease from the ending balance as reported in the Board's December 31, 2005 financial statements of $4,452,665.

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

Required Supplementary Information ***December 31, 2006***

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

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

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Budget to GAAP	
	Original	Final	(Budgetary Basis)	Differences Over (Under)	Actual Amounts GAAP Basis
Revenues					
Licenses, permits and fees	$ 3,926,903	$ 3,926,903	$ 4,362,868	$ -	$ 4,362,868
Investment income	91,100	91,100	182,846	-	182,846
Total revenues	4,018,003	4,018,003	4,545,714	-	4,545,714
Expenditures					
Personal services	2,833,310	2,833,310	2,631,910	22,406 (1)	2,654,316
Travel	224,800	224,800	183,189	-	183,189
Operating services	724,750	727,825	601,349	-	601,349
Supplies	54,250	61,175	62,948	18,451 (2)	81,399
Professional services	232,550	232,550	161,255	-	161,255
Capital outlay	252,500	242,500	87,045	(87,045) (2)	-
Depreciation	-	-	-	95,268 (2)	95,268
Total expenditures	4,322,160	4,322,160	3,727,696	49,080	3,776,776
Excess of Revenues Over Expenditures	(304,157)	(304,157)	818,018	(49,080)	768,938
Net Assets					
Beginning			2,393,179	2,333,187 (3)	4,726,366
Ending			$ 3,211,197	$ 2,284,107	$ 5,495,304

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.

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

Schedule of Per Diem Paid Board Members — *Year Ended December 31, 2006*

	Days	Amount
State Licensing Board for Contractors		
Phyllis Adams	4	$ 300
Tara Brown	20	1,500
George Crain	10	750
Don Descant	6	450
Nelson Dupuy	12	900
Arthur Favre	12	900
David Gallo	9	675
Jonathan Holloway	11	825
Donald Lambert	35	2,625
Garland Meredith	9	675
Byron Talbot	11	825
Kirk Williams	7	525
Bertrand Wilson	9	675
Victor Weston	53	3,975
Residential Building Contractors Subcommittee		
Dana Dugas	2	150
Kenneth Jones	2	150
Patrick Leblanc	1	75
Charles Vascocu	1	75
Ilone Wendel	2	150
Patrick Colvin	7	525
Richard Darling	10	750
Susan Pellegrin	4	300
Ronald Perrin	14	1,050
Johnny Reeves	9	675
		$ 19,500

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 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, 2006, and have issued our report thereon dated May 14, 2007. 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. Accordingly, we do not express an opinion on the effectiveness of the State Licensing Board for Contractor's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and recommendations as item 2006-1.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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* and which are described in the accompanying schedule of findings and questioned costs as items 2006-1.

The State Licensing Board for Contractor's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the State Licensing Board for Contractor's response and, accordingly, we express no opinion on it.

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 14, 2007

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

Schedule of Compliance Findings and Recommendations ***December 31, 2006***

2006-1 Noncompliance with State Travel Regulations

Condition. The State Licensing Board for Contractors made reimbursements for expenses that did not comply with the state travel regulations. The Division of Administration's Policy and Procedure Memorandum (PPM) 49, *Travel Rules and Regulations*, require:

- That board members will be reimbursed on an actual expense basis provided a receipt is given and that requests shall not be extravagant and will be reasonable in relationship to the purpose of travel.

Criteria. A review of 74 expense and travel vouchers totaling $37,407 revealed the following exceptions totaling $1,181:

- A total of $999 was paid for expenses from a credit card statement.
- A total of $182 was paid for expenses without a receipt. Funds were subsequently reimbursed.

Effect. The Board is not in compliance with PPM 49.

Cause. The State Licensing Board for Contractors employee's and board members do not have a proper understanding of the requirements for reimbursement as they relate to PPM 49.

Recommendation. The State Licensing Board for Contractors should develop and implement policies and procedures that will ensure compliance with state travel regulations. This development should include the education of the employee's and board members on regulations related to PPM 49.

Auditee Response. The Executive Director and Members of the Board have developed and implemented policies and procedures designed to ensure compliance with state travel regulations. All exceptions noted occurred prior to the development and implementation of such policies.

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

Independent Auditor's Comments on Resolution of Prior Audit Findings — ***December 31, 2006***

The matter listed in the Schedule of Compliance Findings as 2006-1 related to proper receipts is a repeat of prior year's findings. There are no other matters listed in the prior year that have been not corrected by the State Licensing Board for Contractors.