

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

State Board of Certified Public  
Accountants of Louisiana  
Office of the Governor  
State of Louisiana  
New Orleans, Louisiana

August 27, 2003



***Financial and Compliance Audit Division***

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**Albert J. Robinson, Jr., CPA**

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**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
New Orleans, Louisiana**

Basic Financial Statements and  
Independent Auditor's Reports  
As of June 30, 2003, and for the Years  
Ended June 30, 2003 and 2002  
With Supplemental Financial Information

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

August 27, 2003

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

Basic Financial Statements and  
Independent Auditor's Reports  
As of June 30, 2003, and for the Years  
Ended June 30, 2003 and 2002  
With Supplemental Financial Information

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
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August 22, 2003

Independent Auditor's Report  
on the Financial Statements

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the accompanying basic financial statements of the State Board of Certified Public Accountants of Louisiana, a component unit of the State of Louisiana, as of June 30, 2003, and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of management of the State Board of Certified Public Accountants of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Certified Public Accountants of Louisiana as of June 30, 2003, and its changes in financial position and its cash flows for the years ended June 30, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-A to the financial statements, the State Board of Certified Public Accountants of Louisiana implemented the provisions of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of July 1, 2001.

As discussed in note 3, the board changed its capitalization policy during fiscal year ended June 30, 2002.

LEGISLATIVE AUDITOR

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Audit Report, June 30, 2003

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2003, on our consideration of the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the State Board of Certified Public Accountants of Louisiana's basic financial statements. The accompanying supplemental financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the State Board of Certified Public Accountants of Louisiana. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Grover C Austin, CPA,  
First Assistant Legislative Auditor

FM:JR:PEP:dl

[CPA03]

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (the "Board") financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- The Board's total net assets (that is, the amount by which total assets exceed liabilities) was in the amount of \$723,890 at the close of fiscal year 2003, which represents a \$42,244 (or 5.5%) decrease from last fiscal year. A decrease had been planned by the Board through the budget process, as discussed below in the Financial Analysis section.
- The Board's operating revenue is generated primarily by fees for applications, licenses and annual renewal fees and is generally fairly stable as the population of licensees and registrants has been relatively stable. Operating revenue from fines and settlements is related to Board enforcement activity, and thus is more subject to fluctuation from year to year.

Total operating revenue decreased by \$11,630 (or only 2%).

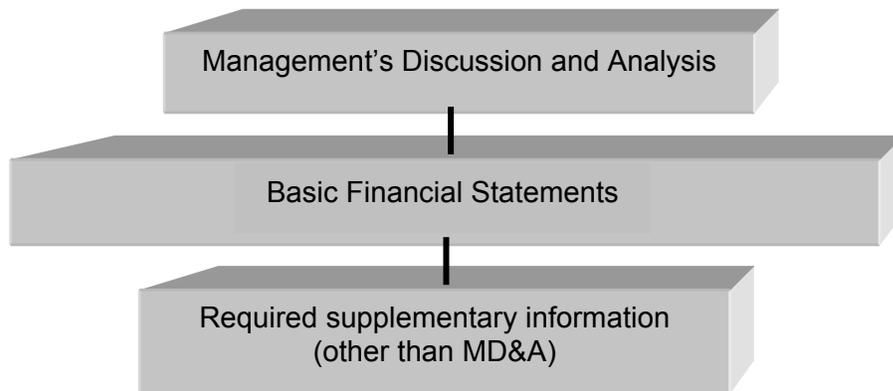
Fines and settlements, which also include recoveries of enforcement costs, represent \$19,430 (or 3%) of total operating revenues for this fiscal year. This represents an 18% decline as compared to \$23,828 of such revenue for last fiscal year.

- Nonoperating revenue consists of interest on certificates of deposit or money market checking accounts, and it represents 1.8% of this fiscal year's total revenues as compared to 3.5% of total revenues last fiscal year. Interest rates have been in decline for the last few years.
- Operating expenses decreased by \$15,709 (or 2.4%) from \$652,773 last fiscal year to \$637,064 this fiscal year as a result of offsetting increases and decreases in costs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The graphic on the following page illustrates 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-and Management's Discussion and Analysis-for State and Local Governments*.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)



This financial report consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the related notes to the financial statements), and required supplementary information, as may be applicable. Other than the MD&A, in the Board's case, there is no additional GASB required supplementary information applicable this year. The Board includes a supplemental schedule of Board compensation and other information as may be required by the state's Division of Administration.

### **Basic Financial Statements**

The basic financial statements present information for 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 (page 10) 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 Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 11) presents information showing 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, there are transactions included that will not affect cash until future fiscal periods.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

The Cash Flow Statement (page 12) presents information showing 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 (the "indirect method") as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

Statement of Net Assets  
As of June 30

	Total	
	2003	2002
Current and other assets	\$798,553	\$819,787
Capital assets	1,044	2,088
Total assets	<u>799,597</u>	<u>821,875</u>
Other liabilities	35,463	15,563
Long-term obligations	40,244	40,178
Total liabilities	<u>75,707</u>	<u>55,741</u>
Net assets:		
Invested in capital assets	1,044	2,088
Unrestricted	<u>722,846</u>	<u>764,046</u>
Total net assets	<u><u>\$723,890</u></u>	<u><u>\$766,134</u></u>

Unrestricted net assets are those that do not have any specified limitations on what these amounts may be used for. There are no "restricted" net assets as of June 30, 2003, that is, none that are not available for spending or other disposition. Therefore, the net assets are available for future operations. Net assets decreased by \$42,244, or 5.5%, from June 30, 2002, to June 30, 2003. The Board planned a decrease through the budget process.

In years prior to 2000, the Board had accumulated resources in anticipation of the continuing need for unusually high levels of legal representation as certain provisions of accountancy law and administrative code were being challenged in court. In recent years, after the adoption of the Louisiana Accountancy Act in 1999, there has been a decrease in such legal activity. The Board has adopted deficits in its annual budget in order to gradually address this change and thereby minimize disrupting operations or the ability to respond if conditions change.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Years Ended June 30

	Total	
	2003	2002
Operating revenues	\$584,030	\$595,660
Operating expenses	(637,064)	(652,773)
Operating loss	(53,034)	(57,113)
Nonoperating revenues	10,790	21,334
Decrease in net assets	<u>(\$42,244)</u>	<u>(\$35,779)</u>

As noted previously, the decrease in net assets was planned through budgeting, as the Board has sufficient economic resources to sustain the loss without disrupting operations. A number of factors contributed to the net loss. There were notable changes in both revenues and expenses. There were decreases in operating revenue in fines and settlements and in reinstatement fees for licenses and permits, and a decline in nonoperating revenue caused by lower interest rates. There were increases in expenses for personal services because of higher group insurance premiums, and an increase in the employer contribution rate for the state retirement plan combined with increases in payroll costs for merit increases.

**CAPITAL ASSETS AND DEBTS**

**Capital Assets**

At the end of the fiscal year, there was a book balance of \$46,769 (that is, a balance of \$1,044, net of accumulated depreciation) invested in capital assets that consists of office equipment that is nearly fully depreciated. There were no changes over the fiscal year other than a \$1,044 charge to record depreciation expense.

**Debts**

The Board does not have any bonds or notes outstanding 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.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**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. The original budgets for the years ended June 30, 2003 and 2002, were revised with one amendment as described in the notes to the financial statements.

Actual operating revenues were less than the final budgeted amounts by \$9,735 (or 1.6%) for the year ended June 30, 2003. Actual and final budgeted revenues at year-end were approximately equal (with less than a hundred dollar difference) for year ended June 30, 2002.

For the year ended June 30, 2003, expenses were less than the final budget by approximately \$28,496 (or 4.5%) due primarily to delaying planned capital expenditures until next fiscal year and the net effect of other less significant variances in operating costs. For the year ended June 30, 2002, expenses were less than the final budget by approximately \$7,500 due to a decrease in planned travel by Board members; less than anticipated employee benefit cost; and the net effect of other less significant variances in operating costs.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND FEES**

License and permit fees, the Board's primary source of revenue, are reviewed annually and are set at appropriate levels based on the Board's financial position and anticipated needs. The Board's members (its appointed officials) considered the following factors and indicators when setting next year's budget and fees. These factors and indicators include:

- Renewal fees were reduced for the calendar year 2001 and overall licensee volume has been fairly stable since that time. CPA examination candidate volume has been lower over the last few years but has recently begun to increase.
- Additional costs may be incurred when converting to the computer-based CPA exam, which is currently planned for implementation in all states in April 2004.
- A relatively strong financial position is necessary, in order for the Board to remain active and flexible in enforcement, to handle major cases, and to be prepared to pursue enforcement activities that may arise. In addition, the Board will have to adapt to the planned changes in administrative and delivery methods for the CPA examination which is being computerized.
- Fees will continue to be monitored as the Board intends to provide for a manageable level of deficit budgeting without creating an impediment to operations and the conversion to a computer-based CPA examination.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Concluded)

The Board expects that next year's results will be similar to the current year based on the following:

- The Board will continue to provide for a manageable level of deficit budgeting without creating an impediment to operations.
- For the 2003-2004 year, the Board is maintaining license application and annual renewal fees at current levels.
- Delinquent license fees and reinstatements from late renewals are expected to increase next fiscal year. Fiscal year 2003-04 will be a "continuing education reporting year" which occurs every third year. This typically delays the filing of renewals by licensees resulting in additional fees for late renewals and reinstatements. This increase will be offset by the acquisition of furniture and telecommunication equipment that is planned to be replaced.

The combined effect of these factors will likely cause another operating loss.

**CONTACTING THE BOARD'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, licensees, registrants, CPA examination candidates, those served by CPAs, and other customers with a general overview of the Board's finances and to show the Board's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Board's executive director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Net Assets, June 30, 2003**

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$779,694
Receivables	15,695
Prepayments	3,164
Total current assets	<u>798,553</u>

Noncurrent assets - capital assets -  
equipment, net of accumulated depreciation (note 3)

	<u>1,044</u>
Total assets	<u>799,597</u>

**LIABILITIES**

Current liabilities:

Accounts payable	29,996
Deferred revenue	3,500
Other accrued liabilities	1,199
Current portion of long-term liabilities - compensated absences payable (note 8)	768
Total current liabilities	<u>35,463</u>

Noncurrent liabilities -

compensated absences payable (note 8)	<u>40,244</u>
Total liabilities	<u>75,707</u>

**NET ASSETS**

Invested in capital assets	1,044
Unrestricted net assets	<u>722,846</u>
Total net assets	<u><u>\$723,890</u></u>

The accompanying notes are an integral part of this statement.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Years Ended June 30, 2003 and 2002**

	<u>JUNE 30, 2003</u>	<u>JUNE 30, 2002</u>
<b>OPERATING REVENUES</b>		
Licenses, permits, and fees	\$557,670	\$564,450
Fines and settlements	19,430	23,828
Other income	<u>6,930</u>	<u>7,382</u>
Total operating revenues	<u>584,030</u>	<u>595,660</u>
<b>OPERATING EXPENSES</b>		
Personal services	429,302	386,888
Professional and contractual	33,073	35,610
Acquisitions	2,970	58,090
Operating services and supplies	170,675	169,679
Depreciation	<u>1,044</u>	<u>2,506</u>
Total operating expenses	<u>637,064</u>	<u>652,773</u>
<b>OPERATING LOSS</b>	(53,034)	(57,113)
<b>NONOPERATING REVENUES</b>		
Interest earnings	<u>10,790</u>	<u>21,334</u>
Change in net assets	(42,244)	(35,779)
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR, as restated (note 9)</b>	<u>766,134</u>	<u>801,913</u>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<u><u>\$723,890</u></u>	<u><u>\$766,134</u></u>

The accompanying notes are an integral part of this statement.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Years Ended June 30, 2003 and 2002**

	<u>JUNE 30, 2003</u>	<u>JUNE 30, 2002</u>
<b>Cash flows from operating activities:</b>		
Cash received from licensees and registrants	\$576,854	\$576,991
Cash received from customers	6,930	7,382
Cash paid to suppliers for goods and services	(203,212)	(344,745)
Cash payments to employees for services	<u>(414,283)</u>	<u>(325,188)</u>
Net cash (used) by operating activities	<u>(33,711)</u>	<u>(85,560)</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>10,790</u>	<u>21,334</u>
Net cash provided by investing activities	<u>10,790</u>	<u>21,334</u>
<b>Net increase (decrease) in cash</b>	(22,921)	(64,226)
<b>Cash at beginning of year</b>	<u>802,615</u>	<u>866,841</u>
<b>Cash at end of year</b>	<u><u>\$779,694</u></u>	<u><u>\$802,615</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	<u>(\$53,034)</u>	<u>(\$57,113)</u>
Adjustments to reconcile operating loss to net cash used by operating activities - depreciation	1,044	2,506
Changes in assets and liabilities:		
Decrease in receivables	(3,156)	(9,037)
Increase (decrease) in prepayments	1,468	(441)
Increase (decrease) in accounts payable	1,663	(18,586)
Increase in accrued payroll and related benefits	14,810	2,174
Decrease in compensated absences payable	(5)	(1,740)
Increase (decrease) in deferred revenues	2,300	(2,250)
Increase (decrease) in other liabilities	<u>1,199</u>	<u>(1,073)</u>
Increase (decrease) in payables	<u>19,323</u>	<u>(28,447)</u>
Net cash (used) by operating activities	<u><u>(\$33,711)</u></u>	<u><u>(\$85,560)</u></u>

The accompanying notes are an integral part of this statement.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of June 30, 2003, and for the Years  
Ended June 30, 2003 and 2002

**INTRODUCTION**

The State Board of Certified Public Accountants of Louisiana (board), a component unit of the State of Louisiana, was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The board is a licensing agency of the State of Louisiana. Effective July 1, 2001, the board was among those transferred from the Department of Economic Development to the Office of the Governor by the legislature. The board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71 *et seq.* The board is composed of seven members who are appointed by the governor, five from designated geographic areas and two at-large. The board acts in the Louisiana public interest. The board is charged with the responsibility of regulating the practice of certified public accountants and firms in the state by enforcing the accountancy act, promulgating rules, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The board has nine employees. As of June 30, 2003, there are 6,523 active (licensed), 3,839 inactive (unlicensed) certified public accountants, and 2,297 CPA firms in the state.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The board applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards. This new standard provides for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses, and Changes in Fund Net Assets, inclusion of a management discussion and analysis as required supplementary information, and other changes.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**B. 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 of the State of Louisiana because the state has financial accountability over the board in that the governor appoints the board members and can impose his will on the board. The accompanying financial statements present information only as to the transactions and activities of the State Board of Certified Public Accountants of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

**C. 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.

**D. 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.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**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 revenue is collected or received prior to being earned.

**E. 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 is prepared on a modified accrual basis of accounting. Although budget amounts lapse at year-end, the board retains its unexpended net assets to fund expenses of the succeeding year. Formal budget integration is not employed as a management control device during the year. The original budgets for the years ended June 30, 2003 and 2002 were revised with one amendment, as summarized below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
<b>June 30, 2003</b>			
Original approved budget	\$608,205	\$645,205	\$766,420
Amendment	<u>7,560</u>	<u>20,355</u>	<u>(12,795)</u>
Final approved budget	<u><u>\$615,765</u></u>	<u><u>\$665,560</u></u>	<u><u>\$753,625</u></u>
<b>June 30, 2002</b>			
Original approved budget	\$603,355	\$632,161	\$809,627
Amendment	<u>2,645</u>	<u>23,839</u>	<u>(21,194)</u>
Final approved budget	<u><u>\$606,000</u></u>	<u><u>\$656,000</u></u>	<u><u>\$788,433</u></u>

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**F. CASH**

Cash consists of the amount in an interest-bearing demand deposit account. Under state law, the board may deposit funds within 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 the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

**G. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

Capital assets consist of office and computer equipment and are capitalized at historical cost. These assets, net of accumulated depreciation, are included on the statement of net assets. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

Long-term obligations at June 30, 2003, include only compensated absences. A summary of changes in long-term obligations is presented in note 8.

**H. 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 employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2003, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105, is estimated to be \$142. The leave payable is recorded in the accompanying financial statements as a portion of the compensated absences liability.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

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

**I. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three components:

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 bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets

Restricted - consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - consists of all other net assets that are not included in the other categories previously mentioned.

**2. CASH**

The board has cash (book balance) totaling \$779,694 at June 30, 2003, which consist of the following:

Demand deposits	\$776,465
Cash on hand	3,129
Petty cash	<u>100</u>
Total	<u><u>\$779,694</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2003, are secured as follows:

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Deposits in bank accounts per statement of net assets	<u>\$776,465</u>
Collected Bank Balances:	
Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name (category 1)</u>	\$144,478
Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name (category 2)</u>	<u>642,101</u>
Total Bank Balances	<u>\$786,579</u>

**3. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Beginning Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2002</u>
Equipment	\$179,932			
Adjustment for capitalization policy	(126,958)			
Restated beginning balance	<u>52,974</u>		(\$6,205)	\$46,769
Less accumulated depreciation	<u>(48,380)</u>	(\$2,506)	<u>6,205</u>	<u>(44,681)</u>
Capital assets, net	<u>\$4,594</u>	<u>(\$2,506)</u>	<u>NONE</u>	<u>\$2,088</u>

	Beginning Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2003</u>
Equipment	\$46,769			\$46,769
Less accumulated depreciation	<u>(44,681)</u>	(\$1,044)		<u>(45,725)</u>
Capital assets, net	<u>\$2,088</u>	<u>(\$1,044)</u>	<u>NONE</u>	<u>\$1,044</u>

The board followed the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The LPAA's dollar threshold for capitalizing equipment is \$1,000. However, according to the Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over \$5,000 is capitalized and depreciated for financial statement purposes. Therefore, the restatement reflects the impact of the changes in this capitalization policy.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**4. PENSION PLAN**

Substantially all of the employees of the board are members of the Louisiana State Employees Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan. LASERS is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees. LASERS provides retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

All full-time board employees are eligible to participate in LASERS. Benefits vest with 10 years of service. At 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. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Employees are required by state statute to contribute 7.5% of gross salary, and the board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The board's contribution rate for the fiscal year ended June 30, 2003, was 14.1% of annual covered payroll as compared to the 13% required in fiscal years ended June 30, 2002 and 2001, respectively. The board's contributions to LASERS for the years ending June 30, 2003, 2002, and 2001, were \$46,689, \$39,539, and \$38,720, respectively, equal to the required contributions for each year.

**5. POSTRETIREMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

Substantially all board employees become eligible for post employment health care, dental and life insurance 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 or the state's insurance program whose premiums are paid jointly by the employee and the board. The board's cost of providing retiree health care and life insurance benefits are recognized as an expense when the monthly premiums are paid. For the years ending June 30, 2003 and 2002, the board's costs of retiree benefits totaled \$3,145 and \$3,545, respectively.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**6. OPERATING LEASE**

The board's total rental and lease expense for June 30, 2003 and 2002, were \$71,659 and \$71,179, respectively, which includes an operating lease for office space with a monthly rental of \$4,954, which began on September 1, 1996, and was renewed for an additional three years on December 4, 2002, to extend the lease term to August 31, 2006. The board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are:

Nature of <u>Operating Lease</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Thereafter</u>
Office space	<u>\$59,448</u>	<u>\$59,448</u>	<u>\$59,448</u>	<u>\$9,908</u>

**7. DEFERRED COMPENSATION PLAN**

Employees of the board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**8. LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions, which consist entirely of compensated absences for the two years ended June 30, 2003:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>	<u>Amounts due within one year</u>
Compensated absences payable	<u>\$42,757</u>	<u>\$21,592</u>	<u>\$23,332</u>	<u>\$41,017</u>	<u>\$839</u>

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Amounts due within one year</u>
Compensated absences payable	<u>\$41,017</u>	<u>\$25,568</u>	<u>\$25,573</u>	<u>\$41,012</u>	<u>\$768</u>

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

**9. RESTATEMENT OF BEGINNING FUND  
BALANCE TO BEGINNING NET ASSETS**

The beginning net assets at June 30, 2001, as reflected on Statement B, has been restated to reflect implementation of GASB Statement No. 34. The following schedule reconciles June 30, 2001, fund balance as previously reported to beginning net assets as restated.

Fund balance at June 30, 2001	\$838,433
Capitalization of assets, net	4,594
Accrued compensated absences	(42,757)
Revenue accruals	<u>1,643</u>
Net assets at June 30, 2001	<u><u>\$801,913</u></u>

**10. RISK MANAGEMENT**

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 General Fund appropriation.

There is no pending litigation or claims against the board at June 30, 2003, which if asserted, in the opinion of the board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES**

**PER DIEM PAID BOARD MEMBERS  
For the Years Ended June 30, 2003 and 2002**

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Officers of the board receive compensation of \$150 per month, and other members received \$100 per month in accordance with Act 473 of 1999.

**ANNUAL FISCAL REPORT TO THE OFFICE OF  
THE GOVERNOR, DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY  
As of and for the Year Ended June 30, 2003**

The annual fiscal report presents the financial position of the State Board of Certified Public Accountants of Louisiana as of June 30, 2003, and the results of its operations (including cash flows) for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members  
For the Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Susan C. Cochran, CPA	\$1,200	\$1,200
Mark P. Harris, CPA - Treasurer (July 2001)	1,200	1,250
L. Paul Hood, CPA - Chairman (July 2001 - December 2002)	900	1,800
Patrick McCarthy, CPA - Secretary (July 2001)	1,250	1,800
Treasurer (August 2001 - July 2002)		
Donald L. Moore, CPA - Secretary (August 2002 - June 2003)	1,750	1,200
Richard J. Roth, Jr., CPA - Secretary (August 2001 - July 2002)	1,800	1,750
Treasurer (August 2002 - June 2003)		
Ernest F. Sasser, CPA	600	
Michael A. Tham, CPA - Chairman (January 2003 - June 2003)	<u>1,500</u>	<u>1,200</u>
Total	<u><u>\$10,200</u></u>	<u><u>\$10,200</u></u>

**STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA**  
**STATE OF LOUISIANA**

Annual Financial Statements  
June 30, 2003

**C O N T E N T S**

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**STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OF LOUISIANA**

MICHAEL A. THAM, CPA, Chairman, Baton Rouge  
DONALD L. MOORE, CPA, Secretary, New Orleans  
RICHARD J. ROTH, JR., CPA, Treasurer, New Orleans  
SUSAN C. COCHRAN, CPA, Member, Rayville  
MARK P. HARRIS, CPA, Member, Lafayette  
PATRICK D. McCARTHY, CPA, Member, Lafayette  
ERNEST F. SASSER, CPA, Member, Alexandria



601 Poydras Street, Suite 1770  
New Orleans, LA 70130

Phone: (504)566-1244  
Fax: (504)566-1252  
[www.cpaboard.state.la.us](http://www.cpaboard.state.la.us)

MICHAEL A. HENDERSON, CPA  
Executive Director

**TRANSMITTAL LETTER**

August 21, 2003

Grover C. Austin, CPA  
Office of the Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

In accordance with R.S. 24:514, enclosed are the annual financial statements of the State Board of Certified Public Accountants of Louisiana as of, and for the fiscal year ended, June 30, 2003 prepared in accordance with policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

If you have any questions concerning the information submitted, please contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "M. A. Henderson".

Michael A. Henderson  
Executive Director

Enclosure

**STATE OF LOUISIANA**  
Annual Financial Statements  
Fiscal Year Ending June 30, 2003

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

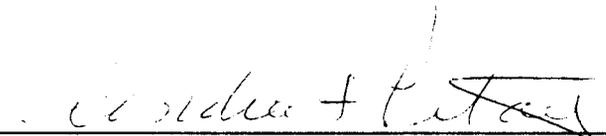
Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
P. O. Box 94095  
Baton Rouge, Louisiana 70804-9095

Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, **Michael A. Henderson**, Executive Director of the **State Board of Certified Public Accountants of Louisiana** who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of the **State Board of Certified Public Accountants of Louisiana** at June 30, 2003 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 21<sup>st</sup> day of August, 2003.

  
\_\_\_\_\_  
Signature of Agency Official

  
\_\_\_\_\_  
NOTARY PUBLIC

Prepared by:           Michael A. Henderson  
Title:                    Executive Director  
Telephone No.:        504-566-1244  
Date:                    August 21, 2003

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003

### Management's Discussion and Analysis (MD&A)

The Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (the "Board") financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- The Board's total net assets (that is, the amount by which total assets exceed liabilities) was in the amount of \$723,890 at the close of fiscal year 2003 which represents a \$42,244 (or 5.5%) decrease from last fiscal year. A decrease had been planned by the Board through the budget process, as discussed below in the Financial Analysis section.
- The Board's operating revenue is generated primarily by fees for applications, licenses and annual renewal fees and is generally fairly stable as the population of licensees and registrants has been relatively stable. Operating revenue from fines and settlements is related to Board enforcement activity, and thus is more subject to fluctuation from year to year.

Total operating revenue decreased by \$11,630 (or only 2%).

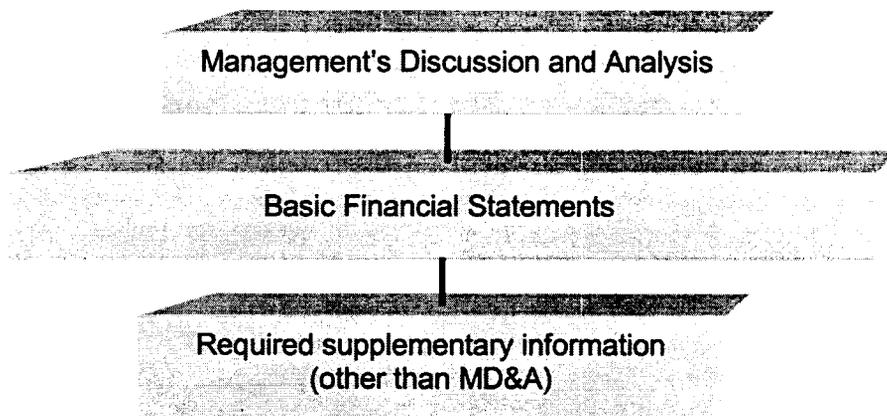
Fines and settlements, which also include recoveries of enforcement costs, represent \$19,430 (or 3%) of total operating revenues for this fiscal year. This represents an 18% decline as compared to \$23,828 of such revenue for last fiscal year.

- Nonoperating revenue consists of interest on certificates of deposit or money market checking accounts, and it represents 1.8% of this fiscal year's total revenues as compared to 3.5% of total revenues last fiscal year. Interest rates have been in decline for the last few years.
- Operating expenses decreased by \$15,709 (or 2.4%) from \$652,773 last fiscal year to \$637,064 this fiscal year as a result of offsetting increases and decreases in costs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The graphic on the following page illustrates 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—and Management's Discussion and Analysis—for State and Local Governments.

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003



This financial report consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the related notes to the financial statements), and required supplementary information, as may be applicable. Other than the MD&A, in the Board's case there is no additional GASB required supplementary information applicable this year. The Board includes a supplemental schedule of Board compensation and other information as may be required by the State's Division of Administration.

### **Basic Financial Statements**

The basic financial statements present information for 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 (page 8) 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 Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 9) presents information showing 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, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (page 10) presents information showing 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 (the "indirect method") as required by GASB 34.

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets  
as of June 30

	Total	
	2003	2002
Current and other assets	\$ 798,553	\$ 819,787
Capital assets	1,044	2,088
Total assets	<u>799,597</u>	<u>821,875</u>
Other liabilities	35,463	15,563
Long-term obligations	40,244	40,178
Total liabilities	<u>75,707</u>	<u>55,741</u>
Net assets:		
Invested in capital assets	1,044	2,088
Unrestricted	722,846	764,046
Total net assets	<u>\$ 723,890</u>	<u>\$ 766,134</u>

Unrestricted net assets are those that do not have any specified limitations on what these amounts may be used for. There are no "restricted" net assets as of June 30, 2003, that is, none that are not available for spending or other disposition. Therefore, the net assets are available for future operations. Net assets decreased by \$42,244, or 5.5%, from June 30, 2002 to June 30, 2003. The Board planned a decrease through the budget process.

In years prior to the year 2000, the Board had accumulated resources in anticipation of the continuing need for unusually high levels of legal representation as certain provisions of accountancy law and administrative code were being challenged in court. In recent years, after the adoption of the Louisiana Accountancy Act in 1999, there has been a decrease in such legal activity. The Board has adopted deficits in its annual budget in order to gradually address this change, and thereby minimize disrupting operations or the ability to respond if conditions change.

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
for the years ended June 30

	Total	
	2003	2002
Operating revenues	\$ 584,030	\$ 595,660
Operating expenses	(637,064)	(652,773)
Operating loss	<u>(53,034)</u>	<u>(57,113)</u>
Non-operating revenues	10,790	21,334
Decrease in net assets	<u>\$ (42,244)</u>	<u>\$ (35,779)</u>

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003**

As noted above, the decrease in net assets was planned through budgeting, as the Board has sufficient economic resources to sustain the loss without disrupting operations. A number of factors contributed to the net loss. There were notable changes in both revenues and expenses. There were decreases in operating revenue in fines and settlements and in reinstatement fees for licenses and permits, and a decline in nonoperating revenue caused by lower interest rates. There were increases in expenses for personal services due to higher group insurance premiums, and an increase in the employer contribution rate for the state retirement plan combined with increases in payroll costs for merit increases.

## **CAPITAL ASSETS AND DEBTS**

### **Capital Assets**

At the end of the fiscal year, there was a book balance of \$46,769 (that is, a balance \$1,044, net of accumulated depreciation) invested in capital assets that consists of office equipment that is nearly fully depreciated. There were no changes over the fiscal year other than a \$1,044 charge to record depreciation expense.

### **Debts**

The Board does not have any bonds or notes outstanding 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.

## **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. The original budgets for the years ended June 30, 2003 and 2002, were revised with one amendment as described in the notes to the financial statements.

Actual operating revenues were less than the final budgeted amounts by \$9,735 (or 1.6%) for the year ended June 30, 2003. Actual and final budgeted revenues at year-end were approximately equal (with less than a hundred dollar difference) for year ended June 30, 2002.

For the year ended June 30, 2003, expenses were less than the final budget by approximately \$28,496 (or 4.5%) due primarily to delaying planned capital expenditures until next fiscal year, and the net effect of other less significant variances in operating costs. For the year ended June 30, 2002, expenses were less than the final budget by approximately \$7,500 due to a decrease in planned travel by Board members; less than anticipated employee benefit cost; and, the net effect of other less significant variances in operating costs.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND FEES**

License and permit fees, the Board's primary source of revenue, are reviewed annually and are set at appropriate levels based on the Board's financial position and anticipated needs. The Board's members (its appointed officials) considered the following factors and indicators when setting next year's budget and fees. These factors and indicators include:

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003**

- Renewal fees were reduced for the calendar year 2001 and overall licensee volume has been fairly stable since that time. CPA examination candidate volume has been lower over the last few years, but has recently begun to increase.
- Additional costs may be incurred when converting to the computer-based CPA exam, which is currently planned for implementation in all states in April 2004.
- A relatively strong financial position is necessary, in order for the Board to remain active and flexible in enforcement, to handle major cases, and to be prepared to pursue enforcement activities that may arise. In addition, the Board will have to adapt to the planned changes in administrative and delivery methods for the CPA examination which is being computerized.
- Fees will continue to be monitored as the Board intends to provide for a manageable level of deficit budgeting without creating an impediment to operations and the conversion to a computer-based CPA examination.

The Board expects that next year's results will be similar to the current year based on the following:

- The Board will continue to provide for a manageable level of deficit budgeting without creating an impediment to operations.
- For the 2003-2004 year, the Board is maintaining license application and annual renewal fees at current levels.
- Delinquent license fees and reinstatements from late renewals are expected to increase next fiscal year. Fiscal year 2003-04 will be a "continuing education reporting year" which occurs every third year. This typically delays the filing of renewals by licensees resulting in additional fees for late renewals and reinstatements. This increase will be offset by the acquisition of furniture and telecommunication equipment that is planned to be replaced.

The combined effect of these factors will likely cause another operating loss.

## **CONTACTING THE BOARD'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, licensees, registrants, CPA examination candidates, those served by CPAs, and other customers with a general overview of the Board's finances and to show the Board's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Board's Executive Director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003

**ASSETS**

CURRENT ASSETS:

Cash and cash equivalents (Note C)	\$ 779,694
Receivables, net (Note K)	15,695
Prepayments	3,164
Total current assets	<u>798,553</u>

NONCURRENT ASSETS:

Capital assets (Note D):	
Equipment	46,769
Less accumulated depreciation	(45,725)
Total noncurrent assets	<u>1,044</u>
Total assets	<u>\$ 799,597</u>

**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable (Note L)	\$ 29,996
Deferred revenue	3,500
Other accrued liabilities	1,199
Current portion of long-term liabilities:	
Compensated absences payable (Note J)	768
Total current liabilities	<u>35,463</u>

NONCURRENT LIABILITIES:

Compensated absences payable (Note J)	<u>40,244</u>
Total non-current liabilities	<u>40,244</u>
Total liabilities	<u>75,707</u>

**NET ASSETS**

Invested in capital assets	1,044
Unrestricted net assets	<u>722,846</u>
Total net assets	<u>723,890</u>
Total liabilities and net assets	<u>\$ 799,597</u>

The accompanying notes are an integral part of this statement.

Statement A

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003

**OPERATING REVENUES**

Licenses, permits and fees	\$ 557,670
Fines and settlements	19,430
Other Income	<u>6,930</u>
Total operating revenues	<u>584,030</u>

**OPERATING EXPENSES**

Personal services	429,302
Professional and contractual	33,073
Acquisitions	2,970
Other	170,675
Depreciation	<u>1,044</u>
Total operating expenses	<u>637,064</u>

**OPERATING LOSS**

(53,034)

**NONOPERATING REVENUES**

Interest earnings	<u>10,790</u>
Total nonoperating revenues	<u>10,790</u>

Change in net assets (42,244)

Total net assets - beginning 766,134

Total net assets - ending \$ 723,890

The accompanying notes are an integral part of this statement.

**Statement B**

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Component Unit:					
State Board of CPAs	\$ 637,064	\$ 584,030	\$ _____	\$ _____	\$ (53,034)
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					10,790
Miscellaneous					
Special items					
Transfers					
Total general revenues, special items, and transfers					10,790
Change in net assets					(42,244)
Net assets - beginning					766,134
Net assets - ending					\$ 723,890

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003

<b>Cash flows from operating activities</b>		
Cash received from licensees and registrants	\$ 576,854	
Cash received from customers	6,930	
Cash payments to suppliers for goods and services	(203,212)	
Cash payments to employees for services	<u>(414,283)</u>	
Net cash used by operating activities		\$ (33,711)
<b>Cash flows from noncapital financing activities</b>		
		0
<b>Cash flows from capital and related financing activities</b>		
		0
<b>Cash flows from investing activities</b>		
Interest received on money market deposit accounts	<u>10,790</u>	
Net cash provided by investing activities		<u>10,790</u>
Net increase in cash and cash equivalents		(22,921)
Cash and cash equivalents at beginning of year		<u>802,615</u>
Cash and cash equivalents at end of year		<u>\$ 779,694</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss		\$ (53,034)
Adjustments to reconcile loss		
to net cash provided by operating activities:		
Depreciation	\$ 1,044	
Changes in assets and liabilities:		
Increase in receivables	(3,156)	
Decrease in prepayments	1,468	
Increase in accounts payable	1,663	
Increase in accrued payroll and related benefits	14,810	
Decrease in compensated absences payable	(5)	
Increase in deferred revenues	2,300	
Increase in other liabilities	<u>1,199</u>	
Total adjustments		<u>19,323</u>
Net cash used by operating activities		<u>\$ (33,711)</u>

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

**INTRODUCTION**

The State Board of Certified Public Accountants of Louisiana (Board) was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The Board is a licensing agency of the State of Louisiana. Effective July 1, 2001, the Board was among those transferred from the Department of Economic Development to the Office of the Governor by the legislature. The Board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71-et seq. The Board is composed of seven members who are appointed by the governor, five from designated geographic areas and two at large. The Board acts in the Louisiana public interest. The Board is charged with the responsibility of regulating the practice of certified public accountants and firms in the State by enforcing the accountancy act, promulgating rules, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the Board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The Board has nine employees. As of June 30, 2003, there were 6,523 active (licensed), 3,839 inactive (unlicensed) certified public accountants, and 2,297 CPA firms in the State.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

Under GASB's criteria for determining the governmental reporting entity, the Board is a component unit of the State, the primary government and the reporting entity. The accompanying financial statements of the Board present information only on the transactions of the Board as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All activities of the Board are accounted for within a single proprietary (enterprise) fund using the accrual basis of accounting. The Board applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements or guidance. The accounts of the Board are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration—Office of Statewide Reporting and Accounting Policy (OSRAP) as follows:

Revenue Recognition

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.

Expense Recognition

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

Deferred Revenues

Deferred revenues arise when potential revenue is collected or received prior to being earned.

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating items generally result from providing services and benefits in connection the fund's principal ongoing operations. The Board's principal operating revenues are application, renewal and related fees paid by the holders of CPA certificates and firm permits. Operating expenses include the cost of services, administrative costs, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating items. Revenue from interest bearing demand deposits is reported as nonoperating revenue.

**2. EQUIPMENT AND CAPITAL ASSET POLICY**

Equipment purchased by the Board may be recorded as a capital asset and capitalized at historical cost. In accordance with the State's (OSRAP) accounting policy, the threshold level of \$5,000 is used for capitalizing assets; depreciation for financial reporting is computed by the straight-line method over an asset's useful life which is five years for computer equipment and six years for office equipment; no salvage value is taken into consideration for depreciation purposes. Capital assets and accumulated depreciation are recorded in the Statement of Net Assets. Equipment and furniture acquisitions with a cost of less than \$5,000 are charged as an expense.

**B. BUDGET PRACTICES**

The Board prepares its budget in accordance with the Louisiana Licensing Agency Budget Act, R.S. 39:1331-1342. The budget is prepared on a modified accrual basis of accounting. The Board retains its unexpended fund balance to fund future expenses. The budget for fiscal year ended June 30, 2003 was formally adopted by the Board on January 21, 2002.

The budget process is conducted annually and is valid for one year. The Board revises the budget if there are planned transfers of 10% or more of an expense category, or to change the total budget by 5% or more. The budget and any revisions are reviewed by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. The original budget for the year ended June 30, 2003, was revised with one amendment, as summarized below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Original approved budget:	\$ 608,205	\$ 645,205	\$ 766,420
Amendment:	<u>7,560</u>	<u>20,355</u>	<u>12,795</u>
Final approved budget:	<u>\$ 615,765</u>	<u>\$ 665,560</u>	<u>\$ 753,625</u>

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS**

For reporting purposes, deposits with financial institutions include demand deposits. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

For the purpose of the Statement of Cash Flows, all highly liquid investments, are considered to be cash equivalents. Interest received on all deposits is considered a cash flow from investing activities.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at June 30, 2003, were secured as follows:

	<u>Deposit in Bank Accounts</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per statement of net assets *	\$ <u>776,465</u>		\$ <u>776,465</u>
Bank Balances:			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	144,478		144,478
2. Collateralized with securities held by the pledging institution's trust department or agent in the entity's name.	<u>642,101</u>		<u>642,101</u>
Total Bank Balances	\$ <u>786,579</u>	\$ <u>-</u>	\$ <u>786,579</u>

\* Cash on hand, including petty cash is also included in the Statement of Net Assets and totals \$3,229.

The following is a breakdown by bank, account no. and amount of the bank balances shown above:

<u>Banking Institution</u>	<u>Account Number</u>	<u>Amount</u>
Bank One	110579607	\$ 742,101
Hibernia	903206047	<u>44,478</u>
	Total	\$ <u>786,579</u>

**D. CAPITAL ASSETS**

Capital assets used by the Board consist of office and computer equipment. These are included on the statement of net assets. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	<u>Year ended June 30, 2003</u>			
	<u>Balance 6/30/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2003</u>
Equipment	\$ 46,769	\$ -	\$ -	\$ 46,769
Less accumulated depreciation	<u>44,681</u>	<u>1,044</u>	<u>-</u>	<u>45,725</u>
Capital assets, net	<u>\$ 2,088</u>	<u>\$ 1,044</u>	<u>\$ -</u>	<u>\$ 1,044</u>

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

**E. LEAVE**

**1. COMPENSATED ABSENCES**

The Board has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various 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.

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

**2. COMPENSATORY LEAVE**

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 earned (K-time). 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 employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2003 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$142. The leave payable is recorded in the accompanying financial statements as a portion of the compensated absences liability.

**F. RETIREMENT SYSTEM**

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Board employees are eligible to participate in the System. Benefits vest with 10 years of service. At 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.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2003, was 14.1% of annual covered payroll as compared to the 13% required in fiscal years ended June 30, 2002 and 2001, respectively. The Board's contributions to the System for the years ending June 30, 2003, 2002, and 2001, were \$46,689, \$39,539, and \$38,720, respectively, equal to the required contributions for each year.

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003

**G. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Substantially all Board employees become eligible for post employment health care, dental and life insurance 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 or the state's insurance program whose premiums are paid jointly by the employee and the Board. The Board's cost of providing retiree health care and life insurance benefits are recognized as an expense when the monthly premiums are paid. For the year ended June 30, 2003, the Board's costs of retiree benefits totaled \$3,145.

**H. DEFERRED COMPENSATION PLAN**

Employees of the Board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**I. LEASES**

OPERATING LEASES

The Board's total rental and lease expense for June 30, 2003 were \$71,659, which includes an operating lease for office space with a monthly rental of \$4,954, which began on September 1, 1996 and was renewed for an additional three years on December 4, 2002 to extend the lease term to August 31, 2006. The Board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are:

<u>Nature of lease</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>Thereafter</u>
Office space	<u>\$59,448</u>	<u>\$59,448</u>	<u>\$59,448</u>	<u>\$9,908</u>

**J. LONG-TERM LIABILITIES**

Changes in long-term obligations for the year ended June 30, 2003 are as follows:

	Balance June 30, 2002	Year ended June 30, 2003		Balance June 30, 2003	Amounts due within one year
		Additions	Reductions		
Total long-term liabilities consist of Compensated absences payable	\$ <u>41,017</u>	\$ <u>25,568</u>	\$ <u>25,573</u>	\$ <u>41,012</u>	\$ <u>768</u>

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003

**K. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at June 30, 2003, were as follows:

Activity	Other Receivables	Total Receivables
Enforcement - fines, cost recovery, settlements	\$ 15,083	\$ 15,083
Other	610	610
Gross receivables	<u>\$ 15,693</u>	<u>\$ 15,693</u>
Less allowance for uncollectible accounts	0	0
Receivables, net	<u><u>\$ 15,693</u></u>	<u><u>\$ 15,693</u></u>
Amounts not scheduled for collection during the subsequent year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**L. DISAGGREGATION OF PAYABLE BALANCE**

Accounts Payable at June 30, 2003 were as follows:

Activity	Vendors	Employee Benefits	Total Payables
Operating	\$ 13,012	\$ 16,984	\$ 29,996
Total	<u><u>\$ 13,012</u></u>	<u><u>\$ 16,984</u></u>	<u><u>\$ 29,996</u></u>

**STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA**

**SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS**

**For the Year Ended June 30, 2003**

<u>Name</u>	<u>Title</u>	<u>Amount</u>
L. Paul Hood, CPA	Chairman (Jul 2002– Dec 2002)	\$900
Michael A. Tham, CPA	Member (Jul 2002 – Dec 2002) Chairman (Jan 2003–June 2003)	1,500
Donald L. Moore, CPA	Member (Jul 2002) Secretary (Aug 2002–June 2003)	1,750
Susan C. Cochran, CPA	Member	1,200
Mark P. Harris, CPA	Member	1,200
Patrick McCarthy, CPA	Treasurer (Jul 2002) Member (Aug 2002- Jun 2003)	1,250
Richard J. Roth, Jr., CPA	Secretary (Jul 2002) Treasurer (Aug 2002-June 2003)	1,800
Ernest F. Sasser, CPA	Member (Jan 2003 – June 2003)	600
	Total	\$10,200

The schedule of compensation paid to Board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Officers of the Board receive compensation of \$150 per month, and other members receive \$100 per month in accordance with Act no. 473 of 1999.

**SCHEDULE 1**

STATE OF LOUISIANA  
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
COMPARISON FIGURES  
FOR THE YEAR ENDED JUNE 30, 2003

	<u>2003</u>	<u>2002</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 594,820	\$ 616,994	\$ (22,174)	-3.59%
Expenses	637,064	652,773	(15,709)	-2.41%
Capital assets	46,769	46,769	-	0.00%
Long-term debt	40,244	40,178	66	0.16%
Net Assets	723,890	766,134	(42,244)	-5.51%

	<u>2003 Original Budget</u>	<u>2003 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 608,205	\$ 615,765	\$ 7,560	1.23%
Expenditures	645,205	665,560	(20,355)	-3.06%

	<u>2003 Final Budget</u>	<u>2003 Final Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 615,765	\$ 594,820	\$ (20,945)	-3.52%
Expenditures	665,560	637,064	28,496	4.47%

The accompanying notes are an integral part of this statement.

Schedule 2

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

August 22, 2003

Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit  
of the Basic Financial Statements

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
New Orleans, Louisiana

We have audited the basic financial statements of the State Board of Certified Public Accountants of Louisiana, a component unit of the State of Louisiana, as of June 30, 2003, and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated August 22, 2003. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

LEGISLATIVE AUDITOR

**STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANTS OF LOUISIANA  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

Compliance and Internal Control Report

August 22, 2003

Page 2

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State Board of Certified Public Accountants of Louisiana 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is written in a cursive style with a large, prominent initial "G".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

FM:JR:PEP:dl

[CPA03]