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**BOARD OF BARBER EXAMINERS**

**STATE OF LOUISIANA**

**As of and For the Period Ended December 31, 2005**

**(With Accountant's Report Thereon)**

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

Release Date 6-21-06

Board of Barber Examiners  
STATE OF LOUISIANA  
Annual Financial Statements  
December 31, 2005  
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**MICHAEL K. GLOVER**

*Certified Public Accountant*

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**Independent Accountant's Report**

Board of Barber Examiners  
State of Louisiana  
Baton Rouge, LA

I have reviewed the accompanying Division of Administration, Office of Statewide Reporting and Accounting Policy's Annual Fiscal Report (AFR) of the business type activities of the Board of Barber Examiners, a component unit of the State of Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the Board of Barber Examiners basic financial statements as listed under statements in the table of contents. These financial statements reported in the AFR are the responsibility of the Board of Barber Examiners management.

My review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America. A review consist principally of inquiries of the Board of Barber Examiners personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated April 20, 2006, on the results of our agreed-upon procedures.

*Michael K. Glover*

April 20, 2006

**MICHAEL K. GLOVER**  
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**Independent Accountant's Agreed-Upon Procedures Report**

To the Louisiana State Board of Barber Examiners

I have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Louisiana State Board of Barber Examiners and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about of the Louisiana State Board of Barber Examiners compliance with certain laws and regulations during the year ended December 31, 2005, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*Public Bid Law*

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law) or R.S. 39:1551-39:1755 (the state procurement code, whichever is applicable).

No expenditures were made during the year for materials or supplies that exceeding \$20,000.

*Code of Ethics for Public Officials and Public Employees*

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

A list was obtained from management of each active board members immediate family members; however, three (3) of the board members did not report any outside business interest on themselves but did report outside business interest of their family members, if any. All other board members that are active included a list of outside business interest for themselves and their family members, if any.

One employee did not list their outside business interest but did include a list of outside business interest of immediate family members, if any. All other active employees listed outside business interest on themselves and their immediate family members, if any.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management (in agreed-upon procedure (3)) appeared on the list provided by management in agreed-upon procedure (2).

*Budgeting*

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget. There was one amendment to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held in February 2005, which indicated that the budget had been adopted by the commissioners of the Louisianan Board of Barber Examiners with no opposition. One amendment was made to the budget during the year.

*Budgeting (cont)*

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

*Accounting and Reporting*

8. Randomly select 6 disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the six payments were properly coded to the correct general ledger account.

(c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the proper authorities.

*Meetings*

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:13 (the open meetings law).

The Louisiana State Board of Barber Examiner is required to post a notice of each meeting and the accompanying agenda on the door of the Boards office building. Management has asserted that such documents were properly posted and I find evidence supporting such assertion.

*Debt*

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected copies of bank deposit slips for the period under examination and noted no deposits appeared to be proceeds of bank loans, bonds, or like indebtedness.

*Advances and Bonuses*

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

A reading of the minutes of the Board for the year indicated no approval for the payments noted. I also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Louisiana State Board of Barber Examiners and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Michael K. Glavin*

April 20, 2006

BOARD OF BARBER EXAMINERS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2004

There were no prior year findings.

**LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)**

\_\_\_\_\_ (Date Transmitted)

Board of Barber Examiners  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes  No [ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes  No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes  No [ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes  No [ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:35.

Yes  No [ ]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:483, and/or 39:82, as applicable.

Yes  No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes  No

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes  No

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes  No

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes  No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

[Signature] Secretary 5/19/06 Date

\_\_\_\_\_  
Treasurer \_\_\_\_\_ Date

[Signature] President 6/12/06 Date



**STATE OF LOUISIANA  
BARBER EXAMINERS  
BALANCE SHEET  
AS OF DECEMBER 31, 2005**

<b>ASSETS</b>	
CURRENT ASSETS:	
Cash and cash equivalents (Note C1)	\$ <u>135,846</u>
Investments (Note C2)	<u>                    </u>
Receivables (net of allowance for doubtful accounts)(Note U)	<u>                    </u>
Due from other funds (Note Y)	<u>                    </u>
Due from federal government	<u>                    </u>
Inventories	<u>                    </u>
Prepayments	<u>                    </u>
Notes receivable	<u>                    </u>
Other current assets	<u>                    </u>
Total current assets	<u>135,846</u>
NONCURRENT ASSETS:	
Restricted assets (Note F):	
Cash	<u>                    </u>
Investments	<u>                    </u>
Receivables	<u>                    </u>
Notes receivable	<u>                    </u>
Capital assets (net of depreciation)(Note D)	
Land	<u>                    </u>
Buildings and improvements	<u>                    </u>
Machinery and equipment	<u>                    </u>
Infrastructure	<u>                    </u>
Construction in progress	<u>                    </u>
Other noncurrent assets	<u>                    </u>
Total noncurrent assets	<u>1,843</u>
Total assets	\$ <u>137,689</u>
<b>LIABILITIES</b>	
CURRENT LIABILITIES:	
Accounts payable and accruals (Note V)	\$ <u>1,416</u>
Due to other funds (Note Y)	<u>                    </u>
Due to federal government	<u>                    </u>
Deferred revenues	<u>93,852</u>
Amounts held in custody for others	<u>                    </u>
Other current liabilities	<u>                    </u>
Current portion of long-term liabilities:	
Contracts payable	<u>                    </u>
Reimbursement contracts payable	<u>                    </u>
Compensated absences payable (Note K)	<u>                    </u>
Capital lease obligations - (Note J)	<u>                    </u>
Notes payable	<u>                    </u>
Liabilities payable from restricted assets (Note Z)	<u>                    </u>
Bonds payable	<u>                    </u>
Other long-term liabilities	<u>                    </u>
Total current liabilities	<u>95,268</u>
NON-CURRENT LIABILITIES:	
Contracts payable	<u>                    </u>
Reimbursement contracts payable	<u>                    </u>
Compensated absences payable (Note K)	<u>11,975</u>
Capital lease obligations (Note J)	<u>                    </u>
Notes payable	<u>                    </u>
Liabilities payable from restricted assets (Note Z)	<u>                    </u>
Bonds payable	<u>                    </u>
Other long-term liabilities	<u>                    </u>
Total long-term liabilities	<u>11,975</u>
Total liabilities	<u>107,243</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	<u>893</u>
Restricted for:	
Capital projects	<u>                    </u>
Debt service	<u>                    </u>
Unemployment compensation	<u>                    </u>
Other specific purposes	<u>                    </u>
Unrestricted	<u>29,553</u>
Total net assets	<u>30,446</u>
Total liabilities and net assets	\$ <u>137,689</u>

The accompanying notes are an integral part of this financial statement.  
Statement A

**STATE OF LOUISIANA  
 BARBER EXAMINERS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>OPERATING REVENUES</b>	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	370,060
Other	_____
Total operating revenues	370,060
<b>OPERATING EXPENSES</b>	
Cost of sales and services	_____
Administrative	404,416
Depreciation	428
Amortization	_____
Total operating expenses	404,844
Operating income(loss)	(34,784)
<b>NON-OPERATING REVENUES(EXPENSES)</b>	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	2,555
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other	_____
Total non-operating revenues(expenses)	2,555
Income(loss) before contributions and transfers	(32,229)
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	(32,229)
Total net assets – beginning as restated	62,675
Total net assets – ending	\$ 30,446

The accompanying notes are an integral part of this financial statement.

Statement B

**STATE OF LOUISIANA  
 BARBER EXAMINERS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Program Revenues</u>			Net (Expense)
		Operating	Capital	Revenue and
<u>Expenses</u>	Charges for	Grants and	Grants and	Changes in
	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
Barber Examiners	\$ <u>404,844</u>	\$ <u>370,060</u>	\$ _____	\$ <u>(34,784)</u>
General revenues:				
Taxes				_____
State appropriations				_____
Grants and contributions not restricted to specific programs				_____
Interest				<u>2,555</u>
Miscellaneous				_____
Special items				_____
Transfers				_____
Total general revenues, special items, and transfers				<u>2,555</u>
Change in net assets				<u>(32,229)</u>
Net assets - beginning				<u>62,675</u>
Net assets - ending				<u>\$ 30,446</u>

**STATE OF LOUISIANA  
 BARBER EXAMINERS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 411,106	
Cash payments to suppliers for goods and services	<u>(210,457)</u>	
Cash payments to employees for services	<u>(194,826)</u>	
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		\$ <u>5,823</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		
Other		
Transfers In		
Transfers Out		
Net cash provided(used) by non-capital financing activities		<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets		
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		<u>-</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities		
Proceeds from sale of investment securities		
Interest and dividends earned on investment securities	<u>2,555</u>	
Net cash provided(used) by investing activities		<u>2,555</u>
Net increase(decrease) in cash and cash equivalents		<u>8,378</u>
Cash and cash equivalents at beginning of year		<u>127,468</u>
Cash and cash equivalents at end of year		<u>\$ 135,846</u>

The accompanying notes are an integral part of this statement.



**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

**INTRODUCTION**

The Barber Examiners was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:341-392. The following is a brief description of the operations of Barber Examiners (the Board).

**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.

The accompanying financial statements of Board present information only as to the transactions of the programs 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.

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 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.

**B. BUDGETARY ACCOUNTING**

The appropriations made for the operations of the various programs of the Board are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

**STATE OF LOUISIANA  
 BARBER EXAMINERS  
 Notes to the Financial Statement  
 As of and for the year ended December 31, 2005**

Original approved budget	\$ <u>365,831</u>
Amendments:	
Insurance	<u>10,000</u>
Postage	<u>10,000</u>
Salaries	<u>10,000</u>
All other	<u>21,000</u>
Final approved budget	\$ <u><u>416,831</u></u>

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. 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 in any bank domiciled or having a branch office in the state of Louisiana; 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.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

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 in the form of safekeeping receipts held by the State Treasurer.

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held. Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name.

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name.

**GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the 3 categories of risk listed above. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.**

**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

The deposits at December 31, 2005, consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in Bank Accounts Per Balance Sheet	\$ <u>33,971</u>	\$ <u>101,875</u>	\$ _____	\$ <u>135,846</u>
Bank Balances of Deposits Exposed to Custodial Credit Risk:				
a. Uninsured and uncollateralized	_____	_____	_____	-
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entities name	_____	_____	_____	-
Total Bank Balances - All Deposits	\$ <u>55,172</u>	\$ <u>101,875</u>	\$ _____	\$ <u>157,047</u>

NOTE: The "Total Bank Balances -- All Deposits" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>Regions Bank</u>	<u>Checking</u>	\$ <u>53,313</u>
2. <u>Barbers Credit Union</u>	<u>Savings</u>	<u>326</u>
3. <u>Resource Bank</u>	<u>Savings</u>	<u>1,534</u>
4. <u>Various</u>	<u>TCD's</u>	<u>101,874</u>
Total		\$ <u>157,047</u>

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the Balance Sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the Balance Sheet.

Cash in State Treasury	\$ _____
Petty cash	\$ _____

**2. INVESTMENTS**

The Barber Examiners does not maintain investment accounts as authorized by law.

**3. Derivatives**

The Board does not invest in derivatives as part of its investment policy

**4. Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures**  
**Not Applicable**



**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

**5. Policies**

**Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.**

The Board has no deposit policy for custodial credit risk.

**6. Other Disclosures Required for Investments – Not Applicable**

**D. CAPITAL ASSETS-INCLUDING CAPITAL LEASE ASSETS**

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity 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.

Year ended December 31, 2005

	Balance 12/31/04	Prior Period Adjustment	Adjusted Balance 12/31/05	Additions	Transfers*	Retirements	Balance 12/31/2005
<b>Capital assets not being depreciated</b>							
Land	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Non-depreciable land improvements			--				--
Capitalized collections			--				--
Construction in progress			--				--
<b>Total capital assets not being depreciated</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>Other capital assets</b>							
Furniture, fixtures, and equipment	\$ 10,276	\$ --	\$ 10,276	\$ --	\$ --	\$ --	\$ 10,276
Less accumulated depreciation	8,955	--	8,955	428	--	--	9,383
<b>Total furniture, fixtures, and equipment</b>	<b>1,321</b>	<b>--</b>	<b>1,321</b>	<b>428</b>	<b>--</b>	<b>--</b>	<b>893</b>
Buildings and improvements			--				--
Less accumulated depreciation			--				--
<b>Total buildings and improvements</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Depreciable land improvements			--				--
Less accumulated depreciation			--				--
<b>Total depreciable land improvements</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Infrastructure			--				--
Less accumulated depreciation			--				--
<b>Total infrastructure</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total other capital assets</b>	<b>\$ 1,321</b>	<b>\$ --</b>	<b>\$ 1,321</b>	<b>\$ 428</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 893</b>
<b>Capital Asset Summary:</b>							
Capital assets not being depreciated	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Other capital assets, at cost	10,276	--	10,276	--	--	--	10,276
<b>Total cost of capital assets</b>	<b>10,276</b>	<b>--</b>	<b>10,276</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10,276</b>
Less accumulated depreciation	8,955	--	8,955	428	--	--	9,383
<b>Capital assets, net</b>	<b>\$ 1,321</b>	<b>\$ --</b>	<b>\$ 1,321</b>	<b>\$ 428</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 893</b>

\* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

**E. INVENTORIES** Not Applicable

**F. RESTRICTED ASSETS** Not Applicable

**G. 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 privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

**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 December 31, 2005 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$ 0.

**H. RETIREMENT SYSTEM**

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement 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 Louisiana 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 Barber Examiners is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended December 31, 2005, decreased to 19.1% of annual covered payroll from the 17.8% and 15.8% required in fiscal years ended December 31, 2004 and 2003, respectively. The Board's contributions to the System for the years ending December 31, 2005, 2004, and 2003, were \$8,497, \$5,402, and \$4,681, respectively, equal to the required contributions for each year.

**STATE OF LOUISIANA  
 BARBER EXAMINERS  
 Notes to the Financial Statement  
 As of and for the year ended December 31, 2005**

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

GASB 12 requires the following disclosures about an employer's accounting for post retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.\*\*
4. The effect of significant matters affecting the comparability of the costs recognized for all periods presented.

\*\*If the cost of any post retirement health care or life insurance benefits cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the total cost of providing those benefits to active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan must be disclosed.

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 (BTA). These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Barber Examiners. For 2005, the cost of providing those benefits for the four retirees totaled \$ 9,806.

The Barber Examiners provides certain continuing health care and life insurance benefits for its retired employees. Substantially all Board employees become eligible for those benefits if they reach normal retirement age while working for the Board. Those 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 by the Board. The Barber Examiners recognizes the cost of providing these benefits (the Board's portion of premiums) as an expenditure when paid during the year, which was \$9,806 for the year ended December 31, 2005.

**J. LEASES**

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2005 amounted to \$19,932. A schedule of payments for operating leases follows:

Nature of lease	FY2006	FY2007	FY2008	FY2009	FY20010	FY2011-2015	FY2016-2020
Office Space	\$ 12,000	\$ 8,000	\$	\$	\$	\$	\$
Equipment	7,932	7,271					
<b>Total</b>	<b>\$ 19,932</b>	<b>\$ 15,271</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

2. CAPITAL LEASES Not Applicable
3. LESSOR DIRECT FINANCING LEASES Not Applicable
4. LESSOR – OPERATING LEASE Not Applicable

**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

**K. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the entity for the year ended December 31, 2005:

	<u>Year ended December 31, 2005</u>				<u>Amounts due within one year</u>
	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	
<b>Bonds and notes payable:</b>					
Notes payable	\$	\$	\$	\$ --	\$
Reimbursement contracts payable				--	
Bonds payable				--	
Total notes and bonds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Other liabilities:</b>					
Contracts payable				--	
Compensated absences payable	8,845	3,130		11,975	
Capital lease obligations				--	
Liabilities payable from restricted assets				--	
Claims and litigation				--	
Other long-term liabilities				--	
Total other liabilities	<u>8,845</u>	<u>3,130</u>	<u>--</u>	<u>11,975</u>	<u>--</u>
<b>Total long-term liabilities</b>	<u>\$ 8,845</u>	<u>\$ 3,130</u>	<u>\$ --</u>	<u>\$ 11,975</u>	<u>\$ --</u>

- L. LITIGATION Not Applicable
- M. RELATED PARTY TRANSACTIONS Not Applicable
- N. ACCOUNTING CHANGES Not Applicable
- O. IN-KIND CONTRIBUTIONS Not Applicable
- P. DEFEASED ISSUES Not Applicable
- Q. COOPERATIVE ENDEAVORS Not Applicable
- R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) Not Applicable
- S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS Not Applicable
- T. SHORT-TERM DEBT Not Applicable
- U. DISAGGREGATION OF RECEIVABLE BALANCES Not Applicable

**STATE OF LOUISIANA  
BARBER EXAMINERS  
Notes to the Financial Statement  
As of and for the year ended December 31, 2005**

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at December 31, 2005, were as follows:

<u>Activity</u>	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other Payables</u>	<u>Total Payables</u>
Operating	\$ 562	\$ 854	\$ -	\$ -	\$ 1,416
					-
Total payables	\$ <u>562</u>	\$ <u>854</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,416</u>

- W. SUBSEQUENT EVENTS** Not Applicable
- X. SEGMENT INFORMATION** Not Applicable
- Y. DUE TO/DUE FROM AND TRANSFERS** Not Applicable
- Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS** Not Applicable
- AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS** Not Applicable

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
For the Year Ended December 31, 2005**

Name	\$	Amount
<u>James Adams</u>	\$	<u>8,425</u>
<u>Bobbie Favron</u>		<u>3,225</u>
<u>Ned Gervis</u>		<u>500</u>
<u>Jessie Handy</u>		<u>1,725</u>
<u>Scott Vice</u>		<u>2,750</u>
<u>Labarbara Weathersby - Lott</u>		<u>1,500</u>
<u>Walter Morgan</u>		<u>500</u>
<u> </u>		
<u> </u>		
<u> </u>		
<u> </u>		
<u> </u>		
<u> </u>		
<u> </u>		
	\$	<u><u>18,625</u></u>

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF STATE FUNDING  
For the Year Ended December 31, 2005**

<u>Description of Funding</u>	<u>Amount</u>
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>0</u>

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE  
December 31, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/04	Redeemed (Issued)	Principal Outstanding 12/31/05	Interest Rates	Interest Outstanding 12/31/05
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
<b>Total</b>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 0</u>

\*Send copies of new amortization schedules



**STATE OF LOUISIANA**  
**BARBER EXAMINERS**  
**SCHEDULE OF NOTES PAYABLE**  
**December 31, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/04	Redeemed (Issued)	Principal Outstanding 12/31/05	Interest Rates	Interest Outstanding 12/31/05
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
<b>Total</b>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 0</u>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF BONDS PAYABLE  
December 31, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/04	Redeemed (Issued)	Principal Outstanding 12/31/05	Interest Rates	Interest Outstanding 12/31/05
		\$	\$	\$	\$		\$
<b>Total</b>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 0</u>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION  
For The Year Ended December 31, 2005**

Fiscal Year Ending:	Principal	Interest
2006	\$ _____	\$ _____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
<b>Total</b>	\$ <u>          0</u>	\$ <u>          0</u>

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF CAPITAL LEASE AMORTIZATION  
For The Year Ended December 31, 2005**

Fiscal Year Ending:	Payment	Interest	Principal	Balance
2006	\$ _____	\$ _____	\$ _____	\$ --
2007	_____	_____	_____	--
2008	_____	_____	_____	--
2009	_____	_____	_____	--
2010	_____	_____	_____	--
2011-2015	_____	_____	_____	--
2016-2020	_____	_____	_____	--
2021-2025	_____	_____	_____	--
2026-2030	_____	_____	_____	--
<b>Total</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF NOTES PAYABLE AMORTIZATION  
For The Year Ended December 31, 2005**

Fiscal Year Ending:	Principal	Interest
2006	\$ _____	\$ _____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011-2015	_____	_____
2016-2020	_____	_____
2021-2025	_____	_____
2026-2030	_____	_____
<b>Total</b>	<b>\$ _____ 0</b>	<b>\$ _____ 0</b>

**STATE OF LOUISIANA  
BARBER EXAMINERS  
SCHEDULE OF BONDS PAYABLE AMORTIZATION  
For The Year Ended December 31, 2005**

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2006	\$ _____	\$ _____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
<b>Total</b>	\$ <u>0</u>	\$ <u>0</u>

**STATE OF LOUISIANA**  
**BARBER EXAMINERS**  
**SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES**  
**BUDGETARY COMPARISON OF CURRENT APPROPRIATION**  
**NON-GAAP BASIS**  
**DECEMBER 31, 2005**

	Financial Statement	Adjustments	ISIS Appropriation Report-08/14/05	Revised Budget	Variance Positive/(Negative)
<b>Operating Revenues:</b>					
Intergovernmental Revenues	\$	\$	-	\$	-
Sales of Commodities and Services			-		-
Other			-		-
<b>Total Operating revenues</b>			-		-
<b>Operating Expenses:</b>					
Personal services	\$	\$	-	\$	-
Travel			-		-
Operating Services			-		-
Supplies			-		-
Professional services			-		-
Capital outlay			-		-
Interagency transfers			-		-
Other charges			-		-
<b>Total Operating Expenses</b>			-		-
<b>Nonoperating Expenses:</b>					
Use of Money and Property			-		-
Gain (Loss) on Disposal of Fixed Assets			-		-
Federal Grants			-		-
Interest Expense			-		-
Other			-		-
<b>Total Nonoperating Expenses</b>			-		-
Capital Contributions			-		-
Operating Transfers In			-		-
Operating Transfers Out			-		-
<b>Change in Net Assets</b>	\$	\$	-	\$	-

**STATE OF LOUISIANA**  
**BARBER EXAMINERS**  
**SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES**  
**BUDGETARY COMPARISON OF CURRENT APPROPRIATION**  
**NON-GAAP BASIS**  
**DECEMBER 31, 2005**

Budgeted Income (Loss)		\$	
Reconciling items:			
Cash carryover			
Depreciation			
Payroll accrual			
Compensated absences adjustment			
Capital outlay			
Change in inventory			
Bad debts expense			
Prepaid expenses			
Principal payment			
Loan Principal Repayments included in Revenue			
Loan Disbursements included in Expenses			
Accounts receivable adjustment			
Accounts payable/estimated liabilities adjustment			
Other			
Change in Net Assets		\$	-



## STATE OF LOUISIANA

## BARBER EXAMINERS

DECEMBER 31, 2005

## COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change.

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 370,060	\$ 340,003	\$ 30,057	\$ 8.8
Expenses	404,844	361,502	43,342	12.0
2) Capital assets	893	1,321	(428)	(32.4)
Long-term debt	0	0	0	0
Net Assets	30,446	62,675	(32,229)	(51.4)
Explanation for change:	<u>Revenues increased due to an increase in license fees in 2005. Expenditures increased due mainly to an increase in salaries and related benefits, and inspectors travel.</u>			

## INSTRUCTIONS FOR THE SIMPLIFIED STATEMENT OF ACTIVITIES

**Expenses** – include all expenses, both operating and non-operating.

**Program Revenues** – include revenues derived from the program itself. These revenues reduce the net cost of the BTA's activities that must be financed from its general revenues. Program revenues should be reported in the following three categories:

**Charges for services** - include revenues based on exchange or exchange-like transactions. (An exchange transaction is one in which each party receives and gives up essentially equal values.) These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services.

**Operating grants and contributions** - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program and that may be used either for operating or capital expenses at the discretion of the BTA. (A non-exchange transaction is one in which an entity gives or receives value without directly receiving or giving equal value in return.)

**Capital grants and contributions** – revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program and that are restricted for capital purposes only - to purchase, construct, or renovate capital assets associated with a specific program.

**Net (Expense) Revenue** - Program revenues minus expenses.

**General Revenues** – all revenues are general revenues unless they are specifically required to be reported as program revenues.

**Taxes** – include all taxes received here, as all are considered general revenues, even those levied for a specific purpose.

**State appropriations** - include warrants drawn during the fiscal year and the 13<sup>th</sup> period, plus 14<sup>th</sup> period if applicable.

**Grants and contributions not restricted to specific programs** – revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations or individuals that are not restricted to a specific program.

**Interest** – any interest earned that is not required to be reported as program revenue (earnings on investments legally restricted to use by a specific program should be reported as program revenue).

**Miscellaneous** - any general revenues that do not specifically fall under one of the categories listed.

**Special Items** – are significant items subject to management's control, that meet one of the following criteria:

1) unusual in nature – possessing a high degree of abnormality and clearly unrelated or only incidentally related to the ordinary and typical activities of the entity.

2) infrequent in occurrence- not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

**Transfers** – All Interfund activities involving the flow of resources between funds.

**Change in net assets** – net (expense) revenue plus general revenues and special items.

**Net assets – beginning** – net assets at the beginning of the fiscal year.

**Net assets – ending** – beginning net assets plus change in net assets.

**Information for Note C "Deposits with Financial Institutions and Investments"  
(GASB Statement 3 Amended by GASB Statement 40)**

**I. Purpose:**

Note C provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the fiscal year ended date provides information about the credit risk and market risk of the deposits and investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments. GASB Statement 40 has modified or eliminated portions of GASB Statement 3 including:

- modified the custodial credit risk disclosures of Statement 3 for deposits and investments to limit the required disclosure to only those exposed to custodial credit risk (similar to GASB 3's category 3).
- established or modified disclosure requirements related to concentrations of credit risk of investments, credit risk of debt investments, and interest rate risks of debt investments (including sensitivity to changes in interest rates), and
- established disclosure requirements for foreign currency risks for both deposits and investments.

Although GASB Statement 40 eliminated some of the disclosures required for custodial credit risk (the 3 categories for example), the total reported amounts of all deposits and investments must still be reported.

**II. Comparison of amounts disclosed per requirements in Note C to amounts shown on the Balance Sheet (if Balance Sheet is required as part of AFR packet):**

- Generally, the amounts of cash and investments on the balance sheet will not be classified exactly the way they would be classified in Note C.
- "Deposits with Financial Institutions" and "Investments" in Note C may be reported on the balance sheet using titles or line items that are different than those in Note C, or they may be combinations of titles or line items. For instance, "Deposits" in Note C may come from several line items on the balance sheet such as "Cash in Bank" and "CD's", or even "Investments" (See section III below that gives further guidance on what should be considered "Deposits" in note C).
- Line items on the balance sheet may include amounts that would be deposits in Note C, and may also include amounts that would be investments in Note C. Also, cash and cash equivalents line items on the balance sheet may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in Note C as deposits but as separate line items such as petty cash, cash on hand, and treasury cash. These amounts must be reported separately from the deposits in Note C.
- Each line item on the balance sheet that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in Note C.

**III. "Deposits with Financial Institutions" section of Note C:**

- Generally, this section of the Note C disclosure refers to the various examples of "Deposits with Financial Institutions" (See "A" below for examples). The term "cash and cash equivalents" is used in reference to GASB Statement 9 that affects presentation for the balance sheet and statement of cash flows, not the note disclosures required by GASB Statement 3 & 40. "Deposits with Financial Institutions" include deposit accounts in banks, savings and loan associations, and credit unions. They can be demand, savings, or time accounts, including negotiable order of withdrawal (NOW) accounts and non-negotiable CD's. As stated previously, deposits for Note C may be a combination of balance sheet line items or titles.
- Do not include treasury cash, petty cash not in a bank account, or cash on hand in Note C as part of the deposits in bank accounts. As mentioned previously, these amounts would be reported separately.

**A. Examples and/or definitions:**

Nonnegotiable Certificates of Deposit – Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as deposits for GASB 3 Note C disclosures. (Negotiable CDs

are securities that are normally sold in \$1 million units that are traded in a secondary market. These are treated as investments for Note C disclosures.)

Money Market Accounts – financial institution “money market” accounts are simply deposits that pay interest at a rate set to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for Note C disclosures.

Bank Investment Contracts (BICs) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since these are issued by a bank, they are treated as deposits for Note C disclosures.

B. Other definitions as applied to deposits:

Insured (Insurance) – deposits are insured by federal deposit insurance (FDIC), state deposit insurance, multiple financial institution collateral pools that insure public deposits, and even commercial insurance (if scope of coverage would be substantially the same as FDIC).

Collateral – Security pledged by a financial institution to a government entity for its deposits.

#### IV. “Investments” section of Note C:

- Types of investments for listing investments by type definitions/examples:
  1. Repurchase Agreements – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
  2. U.S. Government Obligations – examples include treasury bills, treasury notes and treasury strips; obligations of certain U.S. Government Agencies such as FNMA, FHLB, or SLMA.
  3. Common & Preferred Stock – a security that represents an ownership interest in an entity.
  4. Commercial Paper (mortgages, notes, etc.) – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Almost all commercial paper is rated as to credit risk by rating services.
  5. Corporate Bonds
  6. Other (identify) – It is not appropriate to present material amounts of investments as “Other”, unless the note disclosure describes the composition of the “Other” category. The following are examples of other investments:
    - a. Closed-end Mutual Fund – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. A closed-end mutual fund has a constant number of shares, the value depends on the market supply and demand for the shares rather than directly on the value of the portfolio, the fund does issue certificates, and the securities are traded on a stock exchange.
    - b. Open-end Mutual Funds – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares to meet investor demand, the value depends directly on the value of the portfolio, and the fund does not issue certificates but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.
    - c. Reverse Repurchase Agreements - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
    - d. Investments in pools managed by another government - Generally, these investments would not be exposed to custodial credit risk because the investments themselves are not evidenced by securities that exist in physical or book entry form.
    - e. Private placements, such as venture capital and limited partnerships
    - f. Investments in real estate, annuity contracts, and direct investments in mortgages

#### V. Risk Disclosures for Deposits and Investments:

- Deposits and investments are subject to several types of risks, mainly credit risk, market risk, interest rate risk, and foreign currency risk.

Credit risk - defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Concentration of credit risk - defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Market risk - defined as the risk that the market value of investment securities, collateral securities protecting a deposit, or securities of a repurchase agreement will decline.

Interest rate risk - defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign currency risk - defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

#### A. Custodial Credit Risk Disclosures for Deposits:

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who holds the collateral and how the collateral is held.

Collateral - Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.

Collateralized - When the entity's deposits are secured with securities pledged by the financial institution holding the deposits.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the 3 categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

#### B. Custodial Credit Risk Disclosures for Investments:

Following GASB Statement 3, investments (listed by type) were either classified into three categories (depending on whether they are insured or registered and who holds the securities and how they are held), or listed as non-classified investments.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the 3 categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. However, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

#### C. Additional Risk Disclosures for Required by GASB Statement 40:

Credit Risk - Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

Interest Rate Risk - Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years of those investments. In addition, list the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (e.g. coupon multipliers, reset dates, etc.):

Concentration of Credit Risk - List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments.

Foreign Currency Risk - Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List these by currency denomination and investment type, if applicable.

Deposits and Investments Policies Relating to Risk - Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, that fact should be stated.

VI. Securities as Applied to Credit Risk of Deposits and Investments:

Securities defined – a transferable financial instrument that evidences ownership or creditorship. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (as collateral) governmental entities include:

- a. treasury bills, treasury notes, treasury bonds
- b. federal agency obligations
- c. corporate debt instruments (including commercial paper)
- d. corporate equity instruments
- e. negotiable CD's (keyword here is negotiable)
- f. bankers' acceptances
- g. shares of closed-end mutual funds (keyword here is closed-end)
- h. shares of unit investment trusts

2. Instruments or investments that are not securities include:

- a. investments made directly with another party (such as limited partnerships)
- b. real estate
- c. direct investments in mortgages and other loans
- d. investments in open-ended mutual funds (keyword here is open-ended)
- e. pools managed by other governments
- f. annuity contracts