Louisiana State Board of Embalmers and Funeral Directors

Department of Health and Hospitals

A Component Unit of the State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2015
November 18, 2015

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 5, 2015

Independent Auditor's Report

**LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Metairie, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisiana State Board of Embalmers and Funeral Directors (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Board as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 6 to the financial statements, the net pension liability for the Board was $463,590 at June 30, 2015, as determined by the Louisiana State Employees' Retirement System (LASERS). The related actuarial valuation was performed by LASERS's actuary using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2015, could be under or overstated.

As discussed in Notes 1-M and 11 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended June 30, 2015. The adoption of these standards required the Board to record its proportionate share of pension amounts related to its participation in a cost-sharing, multiple-employer defined benefit pension plan, restating the previous year. As a result of the implementation, the Board's net position decreased by $444,350, net pension liability was recorded in the amount of $482,752, and deferred outflow of resources was recorded in the amount of $38,402 as of July 1, 2014.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 8, the Schedule of the Board's Proportionate Share of the Net Pension Liability on page 29, the Schedule of Board

Contributions on page 29, and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CGEW:BDC:EFS:aa

LSBEFD 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Louisiana State Board of Embalmers and Funeral Directors' (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2015. 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 Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Board's liabilities and deferred inflows relating to pensions exceeded its assets and deferred outflows relating to pensions at the close of fiscal year 2015 by $32,092, which represents a 97.2% decrease from the last fiscal year, as restated.

  The prior-year restatement is the result of the Board's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended June 30, 2015. These statements require governmental entities to recognize their share of their retirement system's net pension liability and certain deferred outflows and deferred inflows of resources related to the liability. Beginning net position was restated by $444,350 and the net pension liability at June 30, 2015, totaled $463,590.

- The Board's revenue decreased by $13,663 (2.8%), and the net results from activities decreased by $14,054 (797.6%), primarily from decreases in revenues from licenses, permits, and fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and Required Supplementary Information.

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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The **Statement of Net Position** (page 9) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is net position 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 Net Position** (page 10) presents information showing how the Board's net position changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The **Statement of Cash Flows** (page 11) presents information showing how the Board's cash changed as a result of current-year operations. The cash flows statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

FINANCIAL ANALYSIS

Net Position

The Board's total net position decreased by $15,816, a 97.2% decrease over June 30, 2014, as restated for GASB Statements No. 68 and 71. Total assets increased 0.9% to $631,563, and total liabilities decreased slightly to $680,359.

Comparative Statement of Net Position
As of June 30, 2015 and June 30, 2014

	2015	2014*	Change	Percent Change
Assets				
Current and other assets	$631,563	$621,245	$10,318	1.7%
Capital assets	0	4,498	(4,498)	(100.0%)
Total assets	631,563	625,743	5,820	0.9%
Deferred outflows related to pensions	88,416	38,402	50,014	130.2%
Liabilities				
Current liabilities	13,373	19,840	(6,467)	(32.6%)
Noncurrent liabilities	666,986	660,581	6,405	1.0%
Total liabilities	680,359	680,421	(62)	(0.0%)
Deferred inflows related to pensions	71,712	NONE	71,712	100.0%
Net position				
Net investment in capital assets	0	4,498	(4,498)	(100.0%)
Unrestricted	(32,092)	(20,774)	(11,318)	54.5%
Total net position	($32,092)	($16,276)	($15,816)	97.2%

*Net position amounts for 2014 were restated for GASB Statements No. 68 and 71.

GASB Statement No. 68 and GASB Statement No. 71 require that governmental entities recognize their respective shares of net pension liabilities of retirement plans in which they participate - the Board participates in the Louisiana State Employees' Retirement System (LASERS). The Board's implementation of these standards resulted in the recognition of the following in the Statement of Net Position:

- Deferred outflows relating to pensions totaling $88,416 (includes fiscal year 2015 employer contributions totaling $50,196)
- Net pension liability totaling $463,590
- Deferred inflows relating to pensions totaling $71,712 resulting primarily from changes in LASERS's plan investments
- A decrease in beginning net position totaling $444,350

Changes in Net Position

The change in net position at June 30, 2015, follows.

Comparative Statement of Changes in Revenues, Expenses, and Net Position
For the Fiscal Years Ended June 30, 2015 and June 30, 2014

	2015	2014*	Change	Percent Change
Operating revenues				
Licenses, permits, and fees	$471,094	$485,460	($14,366)	(3.0%)
Non-operating revenues:				
Use of money and property	4,634	3,335	1,299	39.0%
Other revenues	481	1,077	(596)	(55.3%)
Total nonoperating revenues	5,115	4,412	703	15.9%
Total revenues	476,209	489,872	(13,663)	(2.8%)
Operating expenses:				
Personnel services	263,288	237,767	25,521	10.7%
Travel	48,040	42,134	5,906	14.0%
Operating services	56,828	46,084	10,744	23.3%
Supplies	21,965	19,839	2,126	10.7%
Professional services	97,406	141,322	(43,916)	(31.1%)
Depreciation	4,498	4,488	10	0.2%
Total expenses	492,025	491,634	391	0.1%
Change in net position	(15,816)	(1,762)	(14,054)	797.6%
Net Position, beginning of the year, restated	(16,276)	(14,514)	(1,762)	12.1%
Total net position	($32,092)	($16,276)	($15,816)	97.2%

*Because the impact of the implementation of GASB Statement No. 68 on the fiscal year 2014 beginning net position is unknown, it was adjusted by the same amount as the fiscal year 2015 beginning net position for the purposes of this comparison only.

Total revenues decreased by $13,663 (2.8%) primarily from decreases in revenues from licenses, permits, and fees. Total expenses remained relatively unchanged, increasing $391, or 0.1%. Personnel services increased $25,521 (10.7%) from increases in the employer's contribution rate to LASERS and the other postemployment benefits (OPEB) expense, and operating services increased $10,744 (23.3%) from increases in examination expenses, office supplies, board member travel, and miscellaneous expenses. These increases were offset by a decrease in professional services totaling $43,916 (31.1%) from the reduction in expenses related to St. Joseph Abbey's lawsuit against the Board. Though the Board appealed the judgment in favor of St. Joseph Abbey, the Board has withdrawn its notice of appeal and is no longer pursuing the matter.

CAPITAL ASSETS

As of June 30, 2015, the Board's capital assets, which totaled $22,438 at historical cost, were fully depreciated.

DEBT ADMINISTRATION

The Board's long-term debt consists of compensated absences liabilities, the Board's proportionate share of the LASERS actuarially-accrued net pension liability, and the actuarially-accrued liability for OPEB.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Cessation of the appeal of the judgment against the Board in the lawsuit involving St. Joseph Abbey
- Continuing increases in the OPEB liability
- Changes in the net pension liability based on the LASERS actuarial valuations
- Increase in the number of licenses and permits issued

CONTACTING THE LOUISIANA BOARD OF EMBALMERS AND FUNERAL DIRECTORS' FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Board's finances and demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim Michel, Executive Director, at (504) 838-5109.

**LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Statement of Net Position
June 30, 2015**

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$230,553
Investments (note 3)	400,510
Receivables	500
Total assets	631,563
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (note 6)	88,416
Total deferred outflows of resources	88,416
LIABILITIES	
Current liabilities:	
Accounts payable (note 5)	13,373
Total current liabilities	13,373
Noncurrent liabilities:	
Accrued compensated absences (notes 8 and 10)	18,926
Net pension liability (notes 6 and 10)	463,590
OPEB payable (notes 7 and 10)	184,470
Total noncurrent liabilities	666,986
Total Liabilities	680,359
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 6)	71,712
Total deferred inflows of resources	71,712
NET POSITION	
Unrestricted net position	(32,092)
Total net position	($32,092)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Position
For the Fiscal Year Ended June 30, 2015**

OPERATING REVENUES	
Licenses, permits, and fees	$471,094
Total operating revenues	471,094
OPERATING EXPENSES	
Personnel services	263,288
Travel	48,040
Operating services	56,828
Supplies	21,965
Professional services	97,406
Depreciation (note 4)	4,498
Total operating expenses	492,025
OPERATING LOSS	(20,931)
NONOPERATING REVENUES	
Use of money and property	4,634
Other revenues	481
Total nonoperating revenues	5,115
CHANGE IN NET POSITION	(15,816)
NET POSITION - BEGINNING OF YEAR, restated (note 11)	(16,276)
TOTAL NET POSITION - END OF YEAR	($32,092)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$473,143
Cash payments to suppliers for goods and services	(234,989)
Cash payments to employees for services	(233,340)
Net cash provided by operating activities	4,814
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Other receipts	481
Net cash provided by noncapital financing activities	481
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	4,634
Net cash provided by investing activities	4,634
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,929
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	220,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$230,553
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	($20,931)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Pension expense	52,734
Current year payments (deferred outflows) for pension benefits	(50,196)
Depreciation	4,498
Changes in assets and liabilities:	
(Decrease) in accounts payable and other accruals	(2,492)
(Decrease) in compensated absence payables	(134)
Increase in OPEB payable	21,335
Net cash provided by operating activities	$4,814

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana State Board of Embalmers and Funeral Directors (Board) is a component unit of the state of Louisiana created under the provisions of Louisiana Revised Statutes (R.S.) 37:831-861 within the Department of Health and Hospitals, State of Louisiana, and is domiciled in Metairie, Louisiana. The Board consists of nine members appointed by the governor. The Board shall include four licensed embalmers and four licensed funeral directors, all of whom shall have had experience in their respective professions for at least five years. The Board shall also include one member who shall be 60 years of age or older and who shall serve as a representative of the elderly consumers of Louisiana. The elderly member shall not be actively engaged in nor shall be retired from the occupation, profession, or industry of funeral directors or embalmers. The members may receive a per diem not to exceed $100 per meeting or day spent on business of the Board, plus travel expenses. The Board is charged with the responsibility of licensing and regulating embalmers, funeral directors, and funeral homes within the state of Louisiana. Operations of the Board are funded through self-generated revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

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 exercises oversight responsibility in that the governor appoints the board members, and the Board primarily serves state residents. The accompanying financial statements present only the activity of the Board. Annually, the state of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Board is considered a special-purpose government engaged only in business-type activities. All activities of the Board are accounted for within a single proprietary (enterprise) fund.

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

Revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the Board's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Board consist of licenses, permits, and fees. Operating expenses include administrative expenses and depreciation on capital assets.

D. BUDGET PRACTICES

Annually, the Board adopts a budget as prescribed by R.S 39:1331-1342. The statutes require the Board to annually prepare a comprehensive budget for the subsequent fiscal year. No later than the first day of January in each year, the budget is to be submitted to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction over the Board, to the legislative auditor, and to the legislative fiscal office. The budgets were prepared on the modified accrual basis of accounting. Although budget amounts lapse at year-end, the Board retains its unexpended net position to fund expenses of the succeeding year.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand (petty cash), demand deposits, and money market mutual funds. Under state law, the Board may deposit funds in a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Board may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. INVESTMENTS

Under state law, the Board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

G. CAPITAL ASSETS

Capital assets are recorded at cost at their date of acquisition or their estimated fair value at the date of donation. For movable property, the Board's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally five years for automobiles and 10 years for furniture and equipment.

H. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The leave is accumulated without limitation. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation, employees or their heirs are compensated for up to 300 hours of unused annual leave at their current rate of pay at the time of termination. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS), upon application for retirement, the option of receiving an actuarially determined lump-sum payment for annual and sick leave, which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

I. NONCURRENT LIABILITIES

Noncurrent liabilities consist of amounts for the Board's proportionate share of the LASERS actuarially accrued net pension liability and of the actuarially accrued liability for Other Postemployment Benefits.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of LASERS, and additions to/deductions from the LASERS fiduciary net position have been determined on the same basis as they are reported by

LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. NET POSITION

The Board's net position is unrestricted. Unrestricted net position represents resources derived from the Board's licenses, permits, and fees and is used for transactions related to the Board's general operations. Unrestricted net position may be used at the discretion of the Board to meet its current expenses and for any purpose.

K. CLASSIFICATION OF REVENUES AND EXPENSES

The Board has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

(a) <u>Operating revenue</u> includes activities that have the characteristics of exchange transactions, such as charges for licenses, permits, and fees.

(b) <u>Nonoperating revenue</u> includes activities that have the characteristics of nonexchange transactions, such as investment income.

(c) <u>Operating expenses</u> generally include transactions resulting from providing goods or services, such as (1) payment to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

L. USE OF ESTIMATES

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

M. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2015, the Board implemented the following accounting Standards: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* These statements changed the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The cumulative effect of applying these statements is reported as a restatement of beginning net position for fiscal year 2015 (see Note 11). The restatement of all prior year deferred outflows and inflows was not practical, so only deferred outflows related to fiscal year 2014 contributions were recorded at implementation.

2. CASH AND CASH EQUIVALENTS

The deposits (book balances) at June 30, 2015, consist of the following:

Demand deposits	$10,083
Money market funds	220,370
Petty cash	100
Total	$230,553

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

At June 30, 2015, the Board's collected bank balances were as follows:

Bank Institution	Program or Type	Amount
JP Morgan Chase	Operating Account	$20,755
JP Morgan Chase	Money Market Account	30,344
First NBC	Money Market Account	190,026
Total		$241,125

3. INVESTMENTS

The Board's investments consist of certificates of deposit totaling $400,510 and money market funds totaling $220,370, which are reported on the Statement of Net Position as cash and cash equivalents.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law allows the Board to invest monies under its control and not on deposit in the state treasury, which they determine may be available for investment, in time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, in savings accounts, or shares of savings and loan associations and savings banks, or in share accounts and share certificate accounts of state-chartered credit unions.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. R.S. 49:327(C)(2) requires that funds invested in certificates of deposit shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, the Federal Savings and Loan Insurance Corporation in any one savings and loan association, the National Credit Union Administration, or other deposit insurance corporation approved by the State Treasurer, unless the uninsured portion is collateralized by the pledge of securities.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Board does not have policies to limit concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. R.S. 49:327(C)(4) limits the maturity of investments in certificates of deposits (CDs) to no more than 12 months after the date of their purchase. The following is a summary of the CDs' maturities:

Institution	Fair Market Value	Maturity Date
First NBC Bank	$58,430	12/19/2015
First NBC Bank	51,942	1/2/2016
First NBC Bank	209,654	1/20/2016
Investar Bank	80,484	3/2/2016
Total	$400,510	

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Balance June 30, 2015
Furniture, equipment, and vehicle	$22,439		$22,439
Less accumulated depreciation	(17,941)	($4,498)	(22,439)
Total capital assets, net	$4,498	($4,498)	NONE

5. ACCOUNTS PAYABLE

The following is a summary of payables and accrued benefits at June 30, 2015:

Account Name	
Vendors	$4,228
Salaries and related benefits	9,145
Total payables	$13,373

6. PENSIONS

The Board is a participating employer in a statewide, public employee retirement system, the Louisiana State Employees' Retirement System (LASERS). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by LASERS to the state legislature. LASERS issues a public report that includes financial statements and required supplementary information. A copy of the report may be obtained at www.lasersonline.org.

General Information about the Pension Plan

Plan Descriptions/Benefits Provided:

LASERS administers a plan to provide retirement, disability, and survivor's benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. Act 992 of the 2010 Regular Legislative Session of the Louisiana Legislature closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges.

The substantial majority of members may retire with full benefits at any age upon completing 30 years of service and at age 60 upon completing 5-10 years of service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially-reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age.

Provisions for survivor's benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salaries for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Louisiana Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee.

Employer contributions to LASERS for fiscal year 2015 were $50,196, with active members contributing 8%, and the Board (employer) contributing 37%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Board reported a liability of $463,590 for its proportionate share of the LASERS Net Pension Liability (NPL). The NPL for LASERS was measured as of June 30, 2014, and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of that date. The Board's proportion of the NPL was based on projections of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2014, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date was 0.00741% or an increase of 0.00079%.

For the year ended June 30, 2015, the Board recognized a total pension expense of $52,734. The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$8,261
Net difference between projected and actual earnings on pension plan investments		58,648
Changes in proportion and differences between Employer contributions and proportionate share of contributions	$38,220	4,803
Employer contributions subsequent to the measurement date	50,196	
Total	$88,416	$71,712

Deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	($2,084)
2017	(2,084)
2018	(14,662)
2019	(14,662)

Actuarial Assumptions

The total pension liability for LASERS in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.75% per annum
Inflation Rate	3% per annum
Mortality - Non-disabled	RP-2000, improvement to 2015
Mortality - Disabled	RP-2000
Termination, Disability, Retirement	2009-2013 experience study
Salary Increases	2009-2013 experience study, ranging from 3.0% to 14.5%
Cost of Living Adjustments	Not substantively automatic

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	0.50%
Domestic equity	27.00%	4.69%
International equity	30.00%	5.83%
Domestic fixed income	11.00%	2.34%
International fixed income	2.00%	4.00%
Alternative investments	23.00%	8.09%
Global tactical asset allocation	7.00%	3.42%
Total	100.00%	5.78%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually-required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate

The following presents the Board's proportionate share of the NPL using the current discount rate, as well as what the Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
LASERS	$594,591	$463,590	$352,547

Pension plan fiduciary net position

Detailed information about LASERS fiduciary net position is available in the separately-issued financial reports referenced above.

Payables to the Pension Plan

At June 30, 2015, the Board had $913 in payables to LASERS for the June 2015 employee and employer legally-required contributions.

7. OTHER POSTEMPLOYMENT BENEFITS

The Board provides certain continuing health care and life insurance benefits for its retired employees through the Louisiana Office of Group Benefits (OGB). OGB is a defined benefit, agent multiple-employer other postemployment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees who participate in an OGB health plan while active are eligible for plan benefits if they retire under one of the state retirement systems. Benefit provisions are established under R.S. 42:821 for life insurance benefits and R.S. 42:851 for health insurance benefits.

OGB offers several standard healthcare plans for both active and retired employees. The contribution requirements of plan members and the Board are established and may be amended by R.S. 42:801-883. OGB does not issue a publicly-available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer is based on the following schedule:

Service	Employer Contribution Percentage	Employee Contribution Percentage
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. The total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays 50% of the individual retiree's premium.

Funding Policy. The plan is funded on a "pay-as-you-go basis" under which contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, no plan assets had been accumulated as of June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at the end of the year for the OGB plan were as follows:

Beginning net OPEB obligations at July 1, 2014	$163,135
Annual required contribution	29,500
Interest on net OPEB obligation	6,500
ARC adjustment	(6,230)
OPEB cost	29,770
Contributions made - current year retiree premiums	(8,435)
Increase in net OPEB obligation	21,335
Ending net OPEB obligation at June 30, 2015	$184,470

The following table provides the Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$20,000	54.6%	$152,824
June 30, 2014	$19,900	48.2%	$163,135
June 30, 2015	$29,770	28.3%	$184,470

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$375,000
Actuarial value of plan assets	NONE
UAAL	$375,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$136,038
UAAL as percentage of covered payroll	276%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2014, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an initial annual healthcare cost trend rate of 8.0% and 7.0% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP-2014 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Assumptions also include payroll growth of 3%.

8. COMPENSATED ABSENCES

At June 30, 2015, employees of the Board have accumulated and vested annual leave of $18,926. The balance was computed in accordance with GASB Codification §C60. The leave payable is recorded in the accompanying financial statements.

9. OPERATING LEASE OBLIGATIONS

For the year ended June 30, 2015, the total rental expense for all operating leases is $34,883. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Fiscal Year Ending June 30,	Office Space	Equipment
2016	$19,560	$5,542
2017		3,615
2018		2,652
2019		1,547
Total	$19,560	$13,356

10. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the Board for the year ended June 30, 2015:

	Balance June 30, 2014	Adjustments	Balance June 30, 2014 Restated	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Accrued compensated absences payable (note 8)	$19,060		$19,060		($134)	$18,926	
Pension Liabilities (note 6)		$482,752	482,752	$93,355	(112,517)	463,590	
OPEB payable (note 7)	163,135		163,135	36,000	(14,665)	184,470	
Total liabilities	$182,195	$482,752	$664,947	$129,355	($127,316)	$666,986	NONE

11. RESTATEMENT OF PRIOR YEAR NET POSITION

The beginning net position, as reflected on Statement B, has been restated to reflect the following adjustments:

	Amount
Net position at June 30, 2014	$428,074
Net Pension Liability	(482,752)
Fiscal year 2014 contributions to retirement system	38,402
Net position at June 30, 2014, restated	($16,276)

12. CLAIMS AND LITIGATION

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the Board. Therefore, the Board, through its legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements.

The Board incurred claims and/or litigation cost totaling $81,522, representing legal fees of $66,899 and costs related to ongoing litigation of $14,623, in the current year. Other losses of the Board arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management (ORM), the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. ORM insures all of these lawsuits.

There continues to be a lawsuit which remains as a pending matter, in which the Board has been named a defendant, entitled *Casket Royale, Inc. and Casket Stores of America, LLC and Jerald H. Womack vs. Louisiana State Board of Embalmers and Funeral Directors, et al*. Under court rules, the matter may be placed upon the call docket by either party at any time; however, the proceedings continue to remain inactive.

On August 12, 2010, St. Joseph Abbey (Abbey) of Covington, Louisiana filed a lawsuit against the Board relative to the Board's move to prohibit the Abbey from selling caskets to the public. The case, *St. Joseph Abbey and Mark Coudrain vs. Paul "Wes" Castille, Oscar A. Rollins, Belva M. Pichon, Wall V. McKneely, Margaret Shehee, Kelly Rush Williams and Louis Charbonnet*, was tried in the United States District Court for the Eastern District Court of Louisiana (District Court), on July 6, 2011, and a judgment was rendered in favor of the Abbey on July 21, 2011.

The Board appealed the decision to the United States Court of Appeals, Fifth Circuit (Appeals Court). The Appeals Court filed its final ruling on March 20, 2013, upholding the District Court's July 21, 2011, judgment against the Board. The Board subsequently filed a Notice of Appeal; however, in its December 5, 2014, meeting, the Board's president issued a directive to cease and desist filing any further appeals with regard to the fees related to the lawsuit.

13. SUBSEQUENT EVENTS

On August 10, 2015, the Board received a Notice of Final Satisfaction of Judgment for the St. Joseph Abbey lawsuit (note 12) from the Louisiana Attorney General's Office. The plaintiffs received a check for $844,795 for attorneys' fees (paid through the Office of Risk Management). The notice stated there were no further matters currently outstanding in the case.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability

Schedule 1 presents the Board's Net Pension Liability

Schedule of Board Contributions

Schedule 2 presents the amount of contributions the Board made to the pension system.

Schedule of Funding Progress for the Other Postemployment Benefits Plan

Schedule 3 presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2015

Schedule of the Board's Proportionate Share of the Net Pension Liability — Schedule 1

Fiscal Year*	Board's proportion of the net pension liability (asset)	Board's proportionate share of the net pension liability (asset)	Board's covered-employee payroll	Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2015	0.00741%	$463,590	$136,038	341%	65.0%

*Amounts presented were determined as of the measurement date (previous fiscal year-end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Board Contributions — Schedule 2

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Board's covered-employee payroll	Contributions as a percentage of covered-employee payroll
Louisiana State Employees' Retirement System					
2015	$50,196	$50,196	NONE	$138,117	36.3%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

Changes of Benefit Terms include:

A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and, improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014.

LOUISIANA STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2012	NONE	$235,900	$235,900	0%	$126,000	187%
July 1, 2013	NONE	$191,700	$191,700	0%	$124,400	154%
July 1, 2014	NONE	$375,000	$375,000	0%	$136,038	276%

Factors contributing to the increase in the plan were updates to assumptions as follows:
1. Use of recently released/updated mortality tables (RP2014)
2. Changes in assumptions for retirements and terminations
3. Use of a different age-graded claim curve
4. Updates to the per capita health claim costs based on the state's most recent claims and enrollment experience

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters 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 significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 5, 2015

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA STATE BOARD OF EMBALMERS AND FUNERAL DIRECTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Metairie, Louisiana

We have audited, 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, the financial statements of the business-type activities of the Louisiana State Board of Embalmers and Funeral Directors (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 5, 2015. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses.

Inadequate Segregation of Duties

The Board has not established segregation of duties over cash disbursements. Specifically, the executive director prepares checks, signs checks, inputs disbursements into the General Ledger, and performs the monthly bank reconciliation. In one instance, the executive director prepared source documentation for $9,498 in legal fees, wrote and signed the check, and recorded the transaction in the General Ledger. Adequate segregation of duties requires these activities to be performed by separate individuals; however, the Board has limited staff. Inadequate segregation of duties increases the risk of employee error or fraud, although no such errors or fraud were identified.

To partially mitigate the risk of error or fraud, the Board treasurer or other designated Board member should routinely review supporting documentation for disbursements over a certain dollar threshold before payments are made and review monthly bank reconciliations and bank statements to evaluate the reasonableness of disbursements made by the executive director. In addition, all payments should be supported by an external invoice and should not be made based on internally created documentation. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls over Financial Reporting

The Board did not have adequate controls over financial reporting to ensure that financial transactions posted to its General Ledger and supporting its financial statements were accurate and complete. As a result, we identified several closing journal entries that were not included in the financial statements, a cash transfer posting error, and seven double-counted payable entries.

Adequate internal controls over financial reporting should include a standardized written methodology to ensure that all closing journal entries are consistently posted from year to year, as well as provide for a final review of the financial statements and related records to identify obvious errors. The financial statement issues noted above resulted from the Board staff's initial unfamiliarity with financial reporting requirements, as well as simply posting errors in the General Ledger.

The Board should draft a standardized written methodology to assist in posting closing journal entries. The Board should also consider contracting with an experienced accountant to compile the annual financial statements or providing additional financial training for its staff responsible for compiling the financial statements. Management concurred in part with the finding (see Appendix A, page 2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Inappropriate Work Hours

The Board requires its employees to work only from 8:30 a.m. to 4:00 p.m. each weekday, or 37.5 hours per week. Further, the Board's daily operating hours do not provide for an official lunch break, so those Board employees who take a break for lunch are likely working less than the 37.5 hours scheduled. According to Board management, the current operating hours have been in place for many years.

Executive Order BJ 2012-2 and Civil Service Rule 11.1, which govern unclassified and classified employees, respectively, both require a 40-hour work week for full-time employees. Because Board employees are currently scheduled to work less than 40 hours per week but are paid for a full 40 hours, this practice appears to be a prohibited donation of state funds under Article VII, §14 of the Louisiana Constitution.

The Board should immediately amend its work week to equal 40 hours and should consider including a lunch period during its official working hours. Management concurred with the finding and immediately amended its employees' work hours to reflect an eight-hour workday and a 40-hour work week (see Appendix A, page 3).

Board's Responses to the Findings

The Board's responses to the findings identified in our audit are attached in Appendix A. The Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CGEW:BDC:EFS:aa

LEBEFD 2015

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

Louisiana State Board of Embalmers
and Funeral Directors
New Orleans, LA

Suite 1232, The Executive Towers
3500 N. Causeway Blvd.
Metairie, LA 70002
504.838.5109
FAX: 504.838.5112

www.lsbefd.state.la.us
Toll free: 888.508.9083

Inadequate Segregation of Duties

In response to the concerns about the Board's inadequate segregation of duties, and as this is a small organization, I do concur with the findings by the audit review.

Although the Board is a small agency and has continuously maintained business operations with only 2 employees for over 40 years, the Board has recently employed an additional permanent staff member. With the increase in staff, the current management has implemented additional controls by dividing responsibilities between the employees as well as continuing to include the Board members by presenting the financial statements to review.

In addition to the above noted finding and regarding internally created documentation, the previous management allowed the contracted general counsel to dictated the hours to them, then typed the invoice and paid it accordingly. This practice continued until current management corrected the situation by requiring the contracted general counsel to personally prepare and submit invoices for payment. Thus the practice of the contracted general counsel dictating the hours/time to the manager has ceased.

Kim W. Michel

Kim W. Michel
Executive Director

Louisiana State Board of Embalmers
and Funeral Directors
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Inadequate Controls over Financial Reporting

In response to the concerns about the Board's lack of control over financial reporting in accordance, and as this is a small organization, I do concur in part to the findings by the audit review.

The Board has always had an annual audit in lieu of the required review as was performed for this fiscal 2014/2015 year. The Board had always decided that the most cost beneficial solution is to have a yearly Audit instead of the required review and to have the auditor prepare the yearend adjustments, financial statements and notes. Without the annual audit, there will always be the possibility in reporting errors due to the lack of financial experience of the staff. The previous annual audits identified these errors and were corrected with the adjustments, financial statements and notes.

In addition to the above concern and corrective measure of same, the board has employed an additional staff Member who will be able to further assist in the control of the financial reporting and to assist in identifying errors in posting to the accounting system/software/program that the Board utilizes. With the start of the 2015/2016 fiscal year, the accounting/financial tasks have changed to include the three office staff members in the process.

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Inappropriate Work Hours

In response to the concerns about the Board's inappropriate work hours, and as this is a small organization, I do concur with the findings by the audit review.

The Board has continued to follow in the direction set forth by the previous management in that the work hours were set at a 7.5 hour work day with a "working lunch" so that the office could close a half hour earlier.

Due to the above noted finding, the hours have immediately been amended to reflect an actual 8 hour work day/40 hour work week as required.

Kim W. Michel

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