

Louisiana State Board of Home Inspectors

Financial Statements

June 30, 2017

WILLIAM E. DeLoach
Certified Public Accountant

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Independent Accountant's Review Report

To the Management and Board of Directors
Louisiana State Board of Home Inspectors
Baton Rouge, Louisiana

I have reviewed the accompanying statement of financial position of the Louisiana State Board of Home Inspectors as of June 30, 2017, and the related statements of activities, change in net position, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued 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. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

The Louisiana State Board of Home Inspectors has not presented management discussion and analysis that generally accepted accounting principles accepted in the United States of America and Louisiana Revised Statute 24:514 has determined is necessary to supplement, although not required to be part of, the basic financial statements. The schedule of compensation, benefits, and other payments to the chief executive officer is presented for purposes of additional analysis and is required under Louisiana revised statutes 24:513 A(3).

Based on my review I am not aware of any material modifications that should be made to the accompanying basic 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 October 18, 2017 on the results of our agreed-upon procedures.



Certified Public Accountant

October 18, 2017

**LOUISIANA STATE BOARD OF HOME INSPECTORS
STATE OF LOUISIANA**

**Statement of Financial Position
June 30, 2017**

ASSETS

Current Assets	
Cash	\$ 597,017
Accounts Receivable	13,480
Prepaid Expense	5,000
Total Current Assets	<u>615,497</u>
Capital Assets	
Furniture	6,911
Office Equipment	40,051
Intangible Asset	13,293
Total Capital Assets	<u>60,255</u>
Less Accumulated Depreciation & Amortization	<u>(56,062)</u>
Net Capital Assets	4,193
Other Assets	
Deferred Outflows of Resources	59,446
Deposits	2,598
Total Other Assets	<u>62,044</u>
TOTAL ASSETS	\$ <u>681,734</u>

LIABILITIES & NET POSITION

Current Liabilities	
Accounts Payable	\$ 14,650
Compensated Absences Payable	8,579
Payroll Taxes & Withholdings	809
Total Current Liabilities	<u>24,038</u>
Non-Current Liabilities	
Net Pension Liability	241,230
Other Post Employment Benefits	53,794
Deferred Inflows of Resources	445
Total Non-Current Liabilities	<u>295,469</u>
TOTAL LIABILITIES	319,507
TOTAL NET POSITION - Unrestricted	<u>362,227</u>
TOTAL LIABILITIES & NET POSITION	\$ <u>681,734</u>

See accountant's review report and accompanying footnotes.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
STATE OF LOUISIANA**

**Statement of Activities
and Change in Net Position
For the Year Ended June 30, 2017**

OPERATING REVENUES	
Application Fees	\$ 38,515
Inspection Fees	183,340
Continuing Education Fees	11,110
Penalties & Fines Collected	29,362
Other Revenue	2,634
Total Operating Revenue	<u>264,961</u>
OPERATING EXPENSES	
Operating Services & Supplies	25,399
Rent	25,179
Depreciation	1,431
Salary, Wages, & Benefits	105,086
Professional Fees	37,264
Total operating expenses	<u>194,359</u>
CHANGE IN NET POSITION	70,602
NET POSITION - Beginning of the Year	<u>291,625</u>
NET POSITION - End of the Year	<u><u>\$ 362,227</u></u>

See accountant's review report and accompanying footnotes.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2017**

Cash flows from operating activities:	
Cash received from fees, including cash deposits	\$ 254,171
Disbursed for operations	(174,206)
Depreciation	<u>1,431</u>
Net increase in cash provided by operating activities	81,396
Cash at beginning of year	<u>515,621</u>
Cash at end of year	\$ <u><u>597,017</u></u>
Reconciliation of change in net position to net cash provided by operating activities	
Change in net position	\$ 70,602
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Employment Benefits Payable	14,296
Purchase of new equipment	1,806
Depreciation	1,431
Increase in Receivables	(16,170)
Increase in Payables	<u>9,431</u>
Net cash provided by operating activities	\$ <u><u>81,396</u></u>

See accountant's review report and accompanying footnotes.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
STATE OF LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2017**

AGENCY HEAD NAME: Morgan Spinoso, Chief Operating Officer

PURPOSE	AMOUNT
Salary	\$ 58,761
Retirement	21,108
Health Insurance	10,721
Total	<u>\$ 90,590</u>

See accountant's review report and accompanying footnotes.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Employer's Share of Net Pension Liability
For the Three Years Ended June 30, 2017***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.00307%	0.00290%	0.00282%
Employer's Proportionate Share of the Net Pension	\$ 241,230	\$ 197,108	\$ 176,519
Employer's Covered-Employee Payroll ^A	\$ 56,604	\$ 55,000	\$ 53,750
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	426%	358%	328%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ^B	57.7%	62.7%	65%

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

*The amounts presented have a measurement date of the previous fiscal year end.

For reference only:

^A*Employer Covered-Employee Payroll as reported to LASERS during the measurement periods presented.*

^B*Refer to LASERS CAFR for the years presented.*

See Accountant's Review Report and Accompanying Footnotes

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Employer Contributions
For the Three Years Ended June 30, 2017**

Date	Contractually Required Contribution ¹	Contributions in Relation to Contractually Required Contribution ²	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll ³	Contributions as a % of Covered Employee Payroll
2017	\$ 20,675	\$ 23,047	\$ (2,372)	\$ 57,750	35.8%
2016	\$ 21,059	\$ 20,944	\$ 115	\$ 55,000	38.0%
2015	\$ 19,888	\$ 19,903	\$ (15)	\$ 52,000	37.0%

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

For reference only:

¹ *Employer contribution rate multiplied by employer's covered employee payroll.*

² *Actual employer contributions remitted to LASERS.*

³ *Employer's covered employee payroll amount for the fiscal years presented.*

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

Changes of Benefit Terms

- A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
- Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015 by Act 648 of 2014.

Changes of Assumptions

There were no changes of benefit assumptions for the three years ended June 30, 2017.

See Accountant's Review Report and Accompanying Footnotes

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

INTRODUCTION

The Louisiana State Board of Home Inspectors (Board), a related organization of the State of Louisiana, was created by the Louisiana Legislature in 1999 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:1474. The Board is a licensing agency of the State of Louisiana. The Board's enabling legislation, the Home Inspectors Licensing Law, is comprised by R.S. 37:1471 *et seq.* The Board is composed of a single member from each congressional district, each appointed by the Governor of the State of Louisiana to serve a six year term. The Board is charged with the responsibility of regulating all persons engaged in the business of inspecting existing residential homes for compensation, and advising persons utilizing such services and the general public of the legal obligations and responsibilities of residential home inspectors. The operations of the Board are funded through self-generated revenues primarily derived from license applications, license renewals, and fees from inspections performed by home inspectors. The board has one full time employee, and is located in Baton Rouge.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Board have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position, results of operations, and cash flows of the Board as of and for the year ended June 30, 2017.

Financial Reporting Entity: As required by GASB Statement No. 61, *The Financial Reporting Entity – an amendment of GASB Statements No.14 and No. 34*, the Board is considered a related organization of the State of Louisiana. The accompanying financial statements present only the transactions of the Board.

Basis of Presentation - Fund Accounting: Proprietary funds are used to account for the Board's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resources measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the Statement of Financial Position. The operating statement presents increases (revenues) and decreases (expenses) in total net position. The Board maintains one proprietary fund, the General Fund.

Basis of Accounting: The Board prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of

LOUISIANA STATE BOARD OF HOME INSPECTORS
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NOTES TO FINANCIAL STATEMENTS
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Basis of Accounting (continued): revenues and expenses during the reporting period. Actual results could differ from those estimates. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Board has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Reporting: 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. GASB No. 34 established standards for external reporting for all state and local governmental entities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of restricted, or invested in capital assets, net of related debt.

Net Position: On July 1, 2012, the Board adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods. GASB Statement No. 63 requires that deferred outflows of resources should be reported in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
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Net position (continued): Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - *invested in capital assets, net of related debt* consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction or improvement of those assets; *restricted* distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and *unrestricted* consisting of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of capital assets, net of related debt or the restricted portion of net position.

Budgets and Budgetary Accounting: Subject to the Louisiana Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342, the Board adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The Board must approve any revisions that alter the total expenditures. Although budget amounts lapse at year end, the Board retains its unexpended fund balances to fund expenditures in the succeeding year.

Cash and Cash Equivalents: Cash and cash equivalents include amounts in interest-bearing demand deposits. Under state law, the Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings.

The Board's policy is tailored after Louisiana Revised Statute 49:327 and prohibits investments with maturities extending beyond twelve months. The policy also requires that three quotes be obtained from allowable financial institutions as to interest rates and that the amounts of the investment not exceed an amount insured by FDIC (\$250,000) and pledged collateral at any one institution.

Inventory: Inventory of the Board includes only office supplies and printed materials, the amount of which is considered immaterial. Therefore, the acquisition of these items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
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Capital Assets: Capital assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets. Generally, the Board includes all capital acquisitions with a cost of \$1,000 in its fixed asset inventory. However, certain items at a cost below that amount may be capitalized if benefits of the item will extend beyond one year and/or the Board wants to monitor the item.

Compensated Absences: Employees of the Board earn and accumulate vacation and sick leave at varying rates depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, however, employees or their heirs are compensated for only up to 300 hours of unused vacation leave. This is computed at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. At June 30, 2017, employees of the Board had accumulated and vested \$8,579 in employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2017:

	<u>Book Balance</u>	<u>Bank Balance</u>
Demand deposits	<u>\$ 597,016.54</u>	<u>\$ 616,762.36</u>

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

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Board does not have any deposits that fall within this category. Deposits of the Board are secured with insurance through FDIC and collateral pledged by the agent bank.

NOTE 3 – INVESTMENTS

At June 30, 2017 the Board has no investments.

NOTE 4 – ACCOUNTS RECEIVABLE

The Board had accounts receivable of \$13,480 at June 30, 2017 from fines issued during the year.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, being depreciated				
Computers and Related Assets	\$ 38,245	\$ 1,807	\$ 0	\$ 40,052
Less: accumulated depreciation	<u>(34,290)</u>	<u>(2,014)</u>	<u>0</u>	<u>(36,304)</u>
Net Computers and Related Assets	3,955	(207)	0	3,748
Office Furniture	6,911	0	0	6,911
Less: accumulated depreciation	<u>(6,342)</u>	<u>(123)</u>	<u>0</u>	<u>(6,465)</u>
Net Furniture	569	(123)	0	446
Intangible Assets	13,293	0	0	13,293
Less: accumulated depreciation	<u>(13,293)</u>	<u>0</u>	<u>0</u>	<u>(13,293)</u>
Net Intangible Assets	0	0	0	0
Net Capital Assets, being depreciated	<u>4,524</u>	<u>(330)</u>	<u>0</u>	<u>4,194</u>

NOTE 6 – LEAVE

Annual and Sick Leave. The Board's employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service. Accumulated leave is carried forward to succeeding years without limitation. Upon termination, employees 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 current year expenditures when leave is earned. Only annual leave is accrued in the accompanying statements of net position at \$8,579.

Compensatory Leave. Non-exempt employees, according to the guidelines contained in the Fair Labors Standards Act, may be paid for compensatory leave earned. Upon termination or transfer, an employee is 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. This pay is based on the employee's hourly rate of pay at the time of termination or transfer. Compensatory leave time was not accrued at June 30, 2017.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – PENSIONS

Summary of Significant Accounting Policies

Pensions

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 the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from 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.

General Information about the Pension Plan

Plan Description

Employees of the Louisiana State Board of Home Inspectors are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

*For fiscal years ending July 1, 2016 through June 30, 2017

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

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Retirement (continued)

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. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

LOUISIANA STATE BOARD OF HOME INSPECTORS
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1. Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

2. Disability Benefits

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

3. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit 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 aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

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Survivor's Benefits (continued):

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

4. Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The agency's contractually required composite contribution rate for the year ended June 30, 2017 was 35.8% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Agency were \$21,108 for the year ended June 30, 2017.

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

At June 30, 2017, the Employer reported a liability of \$241,230 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Agency's proportion was 0.00307% which was an increase of 0.00017% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of \$22,235 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$6,078.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
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At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (124)	\$ (623)
Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 30,046	\$ 178
Changes in proportion and differences between Employer contributions and proportionate share of contributions	\$ 8,416	\$ -
Employer contributions subsequent to the measurement date	21,108	-
Total	<u>\$ 59,446</u>	<u>\$ (445)</u>

\$21,108 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	10,360
2019	\$	8,690
2020	\$	11,676
2021	\$	7,167

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

**LOUISIANA STATE BOARD OF HOME INSPECTORS
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Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.75% per annum, net of investment expenses*
Inflation Rate	3.0% per annum
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

Member Type	Lower Range	Upper Range
Regular	4.0%	13.0%
Judges	3.0%	5.5%
Corrections	3.6%	14.5%
Hazardous Duty	3.6%	14.5%
Wildlife	3.6%	14.5%

Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.
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*The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for gain-sharing and 15 basis points to offset administrative expenses.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
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The long-term expected rate of return on pension plan investments 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 expense 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 of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2016. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>Long-Term Expected Real Rate of Return¹</u>
Cash	0%	-0.24%
Domestic Equity	25%	4.31%
International Equity	32%	5.48%
Domestic Fixed Income	8%	1.63%
International Fixed Income	6%	2.47%
Alternative Investments	22%	7.42%
Global Tactical Asset Allocation	7%	2.92%
	<u>100%</u>	<u>5.30%</u>

¹*For reference only: Target Allocation presented in LASERS 2016 CAFR, page 50, and Long-Term Expected Real Rate of Return, page 28.*

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 rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the pension plan's actuary. 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 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.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
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JUNE 30, 2017**

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Employer's proportionate share of the Net Pension Liability 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 (6.75%)		Current Discount Rate (7.75%)		1.0% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$ 296,374	\$	241,230	\$	194,376

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2016 Comprehensive Annual Financial Report at www.lasersonline.org.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees through the Louisiana Office of Group Benefits. Substantially all of the Board's employees become eligible for those benefits if they reach normal retirement age while working for the Board and were covered by the Board's active medical plan immediately prior to retirement. Those benefits include joint payment of monthly premiums for the coverage provided.

Plan Description. The State of Louisiana's Other Post-Employment Benefit Plan (OPEB Plan) is an agent multiple-employer plan administered by the Louisiana Office of Group Benefits (OGB). There are three plans available to eligible retirees for health care – OGB Preferred Provider Organization (PPO), Humana Health Maintenance Organization (HMO) and United Exclusive Provider Organization (EPO). Participants eligible for Medicare coverage can choose one of two OGB Medicare Advantage Plans, either an HMO or private fee-for-service (PFFS) plan. Life insurance benefits include basic term life, basic plus supplemental term life, dependent term life and employee accidental death and dismemberment coverage. The policy is underwritten by The Prudential Insurance Company of America.

La. R.S. 42:801-883 provides for the authority under which benefit provisions are established and may be amended. The OGB does not issue a stand-alone report; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, writing to P. O. Box 94095, Baton Rouge, LA 70804-9095 or by calling 225-342-0708.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
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JUNE 30, 2017**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

Funding Policy. LRS 42:801-883 provides for the authority under which the obligations of the plan members and the system are established and may be amended. For employees hired prior to January 1, 2002, the cost of coverage is shared 25% by the participant and 75% by the Board with the exception of single retirees under age 65. He/she must pay 25% of the active employee cost. Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on his/her years of service at retirement (under 10 yrs. – 81%; 10-14 yrs. – 62%; 15-19 yrs. – 44%; 20+ yrs. – 25%). The retiree must pay 50% of the life insurance premiums for him or herself and 88% for his/her spouse. Maximum coverage is capped at \$50,000. Premiums paid for healthcare coverage vary depending on the plan chosen. The plan is currently financed on a pay-as-you-go basis by the Board.

OPEB Cost/Obligation. The Board’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the year ending June 30, 2017 is \$5,791.

The Board’s OPEB obligation for the year ended June 30, 2017, is as follows:

Annual required contribution/OPEB Cost	\$ 5,791
Contributions made	<u> -</u>
Change in Net OPEB Obligation	5,791
 Net OPEB obligation, beginning	 <u>48,003</u>
Net OPEB obligation, ending	<u>53,794</u>

Utilizing the pay-as-you-go method, the Board contributed 0% of the annual post-employment benefits cost during the current year.

Funding Status and Funding Progress. As of June 30, 2017, the Board had not made any contributions to its post-employment benefits plan trust. A trust was established with an effective date of July 1, 2008, but was not funded. Thus, it has no plan assets and a funding ratio of zero. Funding status and progress is summarized below.

Unfunded actuarial accrued liability (UAAL)	\$ 37,613
Covered payroll (active employees)	58,761
 UAAL as a percentage of covered payroll	 64%

LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods/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 of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 method 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 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.0% and 8.1% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

NOTE 9 – LEASES

Operating Leases. The Board executed a new lease for office space beginning on March 1, 2016. It is for a period of five years payable at \$2,098 a month through February 28, 2021. For the year ended June 30, 2017, lease payments of \$25,179 were made. In addition, the Board leases a copier at \$130 per month through November 30, 2020. Future minimum operating lease payments under these leases as of June 30, 2017 are as follows:

2018	26,739
2019	26,739
2020	26,609
2021	<u>4,196</u>
Total	<u>\$84,283</u>

Capital Leases. The Board has no capital leases.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2017:

<u>Class of Payables</u>	<u>Amount</u>
Accounts	\$ 14,650
Payroll and related	809
Compensated absences	<u>8,579</u>
Total	<u>\$24,038</u>

NOTE 11– RELATED PARTY TRANSACTIONS

There are no related party transactions that require disclosure in this report.

NOTE 12 – CONTINGENT LIABILITIES

There are no contingent liabilities that would require disclosure in this report.

NOTE 13 – SUBSEQUENT EVENTS

There were no events between the close of the year through issuance of this report that would materially impact these financial statements.

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Certified Public Accountant

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Independent Accountant's Report
On Applying Agreed-Upon Procedures

To the Management and Board of Directors
Louisiana State Board of Home Inspectors
Baton Rouge, Louisiana

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 Home Inspectors and the Legislative Auditor, State of Louisiana, solely to assist the user in evaluating managements' assertions about the Louisiana Board of Home Inspectors compliance with certain laws and regulations during the period ended June 30, 2017 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. Determine whether the Board complied with the public bid law.

I reviewed the schedule of assets and determined that the Board did not purchase equipment or items that did not comply with the public bid law.

Code of Ethics for Public Officials and Public Employees

2. Determine whether the Board or employees have accepted anything of value in the form of a service, loan, or promise from anyone that would constitute a violation of R.S. 42:1101-1124.

The Board and management has represented to me that they have not accepted anything of value that would be in violation of R.S. 42:1101-1124.

Meetings

3. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meeting law).

Louisiana State Board of Home Inspectors is required to post a notice of each meeting and the accompanying agenda on the door of its office building. The organization did post meeting notices and agendas on the doors of its offices.

Budgeting

4. For all grants exceeding five thousand dollars, determine that each state agency was provided with a comprehensive budget of those grants that included the purpose and duration, specific goals, and objectives and measures of performance.

Louisiana State Board of Home Inspectors provided comprehensive budgets to the State Treasurer for the program mentioned. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Accounting and Reporting

5. Determine that the Board's governmental records are available as a public record and have been retained for at least three years as required by R.S. 44:1, 44:7, 44:31, and 44:36, and that the board has filed annual statements in accordance with R.S. 24:514, and 33:463, and the financial statements have been reviewed in accordance with R.S. 24:513.

The Board maintains financial records in its offices located at 5211 Essen Lane, Ste. 9, Baton Rouge, Louisiana and has complied with the statutes regarding a review and filing of the annual financial statements.

Debt

6. Determine that Board did not incur any indebtedness other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have they 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 R.S. 39:1410.60-1410.65.

The financial records indicated that no indebtedness other than in the ordinary course of administration was incurred by the Board.

Advances and Bonuses

7. Determine that the Board and management has not advanced wages or salaries or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

The financial records indicate that no advances or bonuses were paid in violation of the above referred statute or AG opinion.

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 my attention that would have been reported to you.

This report is solely for the use of the Louisiana Board of Home Inspectors, the Legislative Auditor (State of Louisiana), and the State Treasurers Office and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for the purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Baton Rouge, Louisiana
October 18, 2017

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

October 18, 2017

William E. DeLoach, CPA
5516 Superior Dr. Ste. B
Baton Rouge, Louisiana 70816

In connection with your review of our financial statements as of June 30, 2017 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 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 regulation 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 June 30, 2017.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us//lala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes No

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No

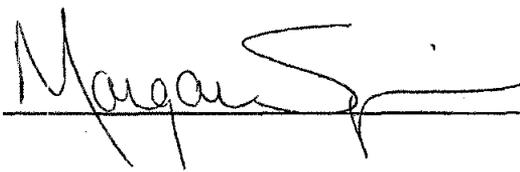
Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

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 federal, state, and local grants, to include the applicable 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 will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.



COO 10-18-17 Date