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

FINANCIAL REPORT

December 31, 2017

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

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

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Provost Salter Harper Alford LLC
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INDEPENDENT AUDITOR'S REPORT

Governor's Office
Louisiana State Licensing Board for Contractors
State of Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Louisiana State Licensing Board for Contractors' 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.

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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 Louisiana State Licensing Board for Contractors as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for postemployment benefits, the schedule of employer's proportionate share of the net pension liability, and the schedule of employer's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements. The schedule of per diem paid board members on schedule 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to agency head on schedule 6 is presented to comply with the requirements issued by the State of Louisiana, and is not a required part of the basic financial statements.

The schedule of per diem paid board members and the schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid board members and the schedule of compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018 on our consideration of the Louisiana State Licensing Board for Contractors' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Louisiana State Licensing Board for Contractors' internal control over financial reporting and compliance.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper + Alford, LLC

April 19, 2018
Baton Rouge, Louisiana

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Louisiana State Licensing Board for Contractors' (the Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Board's total net position increased by $559,939 or 33.8%.

The operating revenues of the Board increased $100,148 or 1.7%.

The non-operating revenues of the Board increased $4,905 or 20.0%.

The operating expenses of the Board decreased $100,129 or 1.8%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, as may be applicable, and the Board includes schedules of Board Members' Per Diem and Compensation, Benefits and Other Payments to Agency Head as Other Supplementary Information. Other than the MD&A, the Board's required supplementary information includes the Statement of Revenues and Expenditures and Changes in Net Position – Budget (Legal) and Actual – Enterprise Fund, the Schedules of Funding Progress for Postemployment Benefits, Employer's Proportionate Share of the Net Pension Liability, and Employer's Pension Contributions. These reports fulfill the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis-for State and Local Governments.*

Management's Discussion and Analysis, Continued

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Board present information about the Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows and related notes to the financial statements.

The Statement of Net Position (Statement A) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Louisiana State Licensing Board for Contractors is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (Statement B) presents information on how the Board's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (Statement C) presents information on how the Board's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

Management's Discussion and Analysis, Continued

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended December 31, 2017	Prior Year as of and for the year ended December 31, 2016
Current assets	$ 10,103,225	$ 12,075,448
Capital assets	5,821,876	3,372,163
Total assets	15,925,101	15,447,611
Deferred outflows	922,846	1,960,786
Current liabilities	4,357,403	4,609,399
Noncurrent liabilities	13,423,767	14,362,465
Total liabilities	17,781,170	18,971,864
Deferred inflows	161,288	90,981
Net investment in capital assets	5,821,876	3,372,163
Unrestricted	(6,916,387)	(5,026,611)
Total net position	$ (1,094,511)	$ (1,654,448)
Operating revenues	$ 6,017,794	$ 5,917,646
Operating expenses	5,487,226	5,587,355
Operating income (loss)	530,568	330,291
Non-operating revenues	29,371	24,466
Change in net position	$ 559,939	$ 354,757

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets as of December 31, 2017, amounts to $5,821,876 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and operating facilities, office furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 72.6%.

During the year, the Board purchased land for $2,250,000. The Construction in Progress amount below consists of architectural, legal, and engineering fees in preparing for building on the purchased land.

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

	2017	2016
Land and improvements	$ 2,799,553	$ 543,317
Buildings and operating facilities	2,137,090	2,224,761
Office, furniture and equipment	54,283	16,869
Vehicles	-	3,037
Construction in Progress	830,950	584,179
	$ 5,821,876	$ 3,372,163

Additional information on the Board's capital assets can be found in note 4 of the financial statements.

Debts

The Board has not financed purchases or activities through external borrowing or incurring debt, and thus does not have any outstanding bonds or notes for this or the previous fiscal year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees as well as liabilities recorded for other postemployment benefits and net pension liability, which are described in the notes to the financial statements.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS AND ACTUAL RESULTS

The Board's annual budget is on a modified accrual basis of accounting excluding certain non-exchange revenues and non-cash items, such as accrued earnings of compensated absences, actuarial adjustment relative to pension and OPEB costs, and depreciation expense. A comparison of budget to actual operations is a required supplementary statement and is presented in Schedule 1.

For the year ended December 31, 2017, actual revenue was 106.1 % of budgeted amounts.

For the year ended December 31, 2017, total expenditures were 100.0% of budgeted amounts.

ECONOMIC CONDITIONS AND OUTLOOK

The Louisiana State Licensing Board for Contractors (LSLBC) was created in 1956 to better protect the public from contractor fraud by maintaining the integrity of the construction industry. Regulations and enforcement of contractor licensing laws are in place to maintain a level playing field for the competency and credentials to do business in Louisiana. The licensed and professional contractors carry all requirements by state and federal laws. Unfortunately the unlicensed, unscrupulous scam artists do not and cause severe damages and financial losses to our consumers and state.

Consumers and business owners have the responsibilities to check references and verify licensure before hiring a contractor. Cheap prices, with no written contract, that sound too good to be true are clear warning signs for contractor fraud.

Partnerships and cooperative efforts with permit offices and the various state and local law enforcement offices are so important for this office in serving the public. LSLBC, Louisiana Economic Development (LED), and Louisiana Community Technical College System (LCTCS) have teamed together in providing a program to assist small businesses with the Louisiana Contractor Accreditation Initiative (LCAI). LCAI is a cooperative 6 week class in providing the tools and information for learning the basics as a new contractor. Using the template of the business and law exam of this office offers the following; contractor licensing, estimating, bidding, bonding, project management, labor law, equipment safety, and more. In 2017 this program was recognized nationally for the Innovation in Regulation Award by the national Association of State Contractors Licensing Agencies (NASCLA). As a top priority of this office, LSLBC will continue working towards efficiencies and simplification for contractor licensing and customer service.

Management's Discussion and Analysis, Continued

Louisiana is a major energy producing state. In fact, Louisiana is ranked second in the nation in production of both oil and natural gas if the Gulf waters are included. When energy prices are strong, the state prospers. When oil prices are declining, the economy weakens – especially for certain areas of the State. Louisiana is finally emerging from a 20-month recession due to a dramatic downturn in the state's oil. Recovery will be muted by the completion of several large industrial projects and a slight delay in the startup of new ones. The good news is the recovery will be bolstered by a slightly faster growing national economy, low inflation, and only a slight increase in interest rates. In total, the State is projected to add 12,000 jobs in 2018 (up 0.6%) and another 22,300 jobs in 2019 (up 1.1%).

NEXT YEAR'S BUDGET

The budget continues the LSLBC's tradition of providing high quality services to the public while prudently managing the public's funds. Our goal in preparing this budget has been to make recommendations consistent with our long-term priorities and to be fiscally responsible to the individuals we serve.

Given the relatively positive outlook in the economy, we expect a change in the revenue budget next year-increasing 5.8% over last year. The proposed budget reflects increases from the 2017 actual revenues to adapt to our ever-changing economy.

Expenditures in salaries have stayed flat due to the suspension of the 4% merit increase by the governor. A continuing pressure on our budget is the cost of benefits, including healthcare and retirement for employees and retirees. Due to the increase in the required contribution costs of related benefits primarily associated with group health insurance increasing by $12,500, retirement by $56,500, and credit card processing fees by $18,000. Reductions were made to some of expenditures, such as printing and general insurance. Also included in expenditures, is a budgeted amount for the construction of the new building located on North St.

Throughout these challenging times, the LSLBC's workforce has continued to provide quality services to the public. We are confident this commitment will continue over the coming year as we adapt to the ongoing state of flux in our economy. We want to thank the Board and our Administration for their leadership, collaboration and support. We also would like to recognize our staff for their contributions and dedication throughout the budgeting process.

The information for the economic discussion is from The Louisiana Economic Outlook: 2018 and 2019, by Loren C. Scott and Judy S. Collins, published in October 2017.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Louisiana State Licensing Board for Contractors, 2525 Quail Drive, Baton Rouge, LA 70808.

Statement A

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

Statement of Net Position — ***December 31, 2017***

ASSETS	
Current Assets	
Cash and cash equivalents	$ 6,468,809
Investments	3,556,698
Other current assets	77,718
Total current assets	10,103,225
Noncurrent Assets	
Property and equipment, net of accumulated depreciation of $ 1,819,767	5,821,876
Total Assets	15,925,101
Deferred Outflows of Resources	922,846
LIABILITIES	
Current Liabilities	
Accounts payable	798,269
Refunds payable	8,624
Due to Contractor's Educational Trust Fund	221,651
Unearned revenues	3,247,324
Current portion of long-term liabilities:	
Compensated absences payable	81,535
Total current liabilities	4,357,403
Noncurrent Liabilities	
Noncurrent compensated absences	171,914
Other postemployment benefits	4,461,762
Net pension liability	8,790,091
Total noncurrent liabilities	13,423,767
Total Liabilities	17,781,170
Deferred Inflows of Resources	161,288
Total Liabilities and deferred inflow of resources	17,942,458
NET POSITION (DEFICIT)	
Net investment in capital assets	5,821,876
Unrestricted	(6,916,387)
Total net position (deficit)	$ (1,094,511)

See Notes to Financial Statements.

Statement B

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

Statement of Revenues, Expenses and Changes in Net Position — ***Year Ended December 31, 2017***

Operating Revenues		
Licenses, permits and fees	$	6,017,794
Operating Expenses		
Personal services		4,069,373
Enforcement mileage reimbursement		93,582
Travel		63,206
Operating services		861,940
Supplies		107,479
Professional services		188,290
Depreciation		103,356
Total operating expenses		5,487,226
Operating Income		530,568
Non-Operating Revenues		
Investment income		29,371
Change in Net Position		559,939
Total Net Position, Beginning		(1,654,450)
Total Net Position, Ending	$	(1,094,511)

See Notes to Financial Statements.

Statement C

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

Statement of Cash Flows — ***Year Ended December 31, 2017***

Cash Flows From Operating Activities:	
Cash received from licensees and applicants	$ 5,792,162
Cash received on behalf of others	221,651
Cash paid for agency liabilities	(224,961)
Cash paid to employees for services	(3,901,751)
Cash paid to suppliers for goods and services	(1,318,529)
Net Cash Provided By (Used In) Operating Activities	568,572
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(2,553,070)
Cash Flows From Investing Activities	
Purchase of investments	(3,354,956)
Maturities/redemption of investments	4,050,000
Interest received on investments	29,371
Net Cash Provided By (Used In) Investing Activities	724,415
Net Increase (Decrease) In Cash And Cash Equivalents	(1,260,083)
Cash and Cash Equivalents	
Beginning of year	7,728,892
End of year	$ 6,468,809

Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income (loss)	$ 530,568
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	103,356
(Increase) decrease in assets:	
Other current assets	17,096
Increase (decrease) in liabilities:	
Compensated absences payable	(7,796)
Refunds payable	(2,146)
Accounts payable	(23,055)
Unearned revenue	(223,486)
Due to Contractor's Educational Trust Fund	(3,310)
Pension Expense	88,616
OPEB liability	88,729
Net Cash Provided By (Used In) Operating Activities	$ 568,572

See Notes to Financial Statements.

1. INTRODUCTION

The Louisiana State Licensing Board for Contractors (Board) is a component unit of the State of Louisiana created within the Governor's office, as provided by Louisiana Revised Statute (R.S.) 37:2150. The Board is statutorily composed of 15 members appointed by the Governor, who serve terms of two to six years. In addition, the Residential Building Contractors Subcommittee consist of 5 members appointed by the Governor and 2 ex officio members, the Chairman and Vice Chairman, appointed by the Louisiana State Licensing Board of Contractors. The Board is charged with the responsibility of licensing and regulating contractors doing business in the state of Louisiana. In addition, it is responsible for the health, safety, and general welfare of all contractees and the affording of such persons of an effective and practical protection against incompetent, inexperienced, unlawful, and/or fraudulent acts of contractors. Furthermore, legislative intent is that the Board shall monitor construction projects to ensure compliance with the licensure requirements. The Board's operations are financed with self-generated revenues, such as license, examination, and other related fees. As of December 31, 2017, there were approximately 25,765 licensed contractors in the state. The Board has 45 full-time employees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Reporting Entity. GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Board is considered a component unit (enterprise fund) of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions and the activities of the Board.

Fund Accounting. All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The Board uses the following practices in recording revenues and expenses:

Revenues

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expenses

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

Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Unearned Revenues

Unearned revenues arise when potential revenues are collected or received prior to being earned.

Agency Transactions

The Board acts as an agent for certain transactions relative to the Contractor's Educational Trust Fund and optional contributions to Louisiana Universities. When acting in this capacity, they do not treat the receipt of funds as revenue, nor do they record an expenditure when they disburse the assets to the recipient. Instead, they act as a go-between.

Budget Practices. The Board submitted its annual budget to the various agencies prescribed by R.S. 39:1331-1342, in accordance with R.S. 36:803. The budget for fiscal year ended December 31, 2017, was adopted by the Board on December 15, 2016, and is prepared and reported on a modified accrual basis of accounting. Although budgeted amounts lapse at year end, the Board retains its unexpended fund balance to fund expenditures of succeeding years.

Cash and Cash Equivalents. Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities extending beyond 90 days are considered certificates of deposit.

Under state law, the Board may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principle offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificates of accounts of federal or state chartered credit unions.

Cash and cash equivalents are stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2017, the Board has $6,468,809 in deposits (collected bank balances). These deposits are secured from risk by $250,000 of federal deposit insurance and $6,386,843 of pledged securities.

Investments. Short-term investments are stated at amortized cost, which approximates market value.

Capital Assets. Capital assets consist of office and computer equipment, vehicles and the office building and are capitalized at historical costs. These assets, net of accumulated depreciation, are included on the Statement of Net Position. The Board follows the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. However, according to the Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over $5,000 and computer software valued at or over $1,000,000 are capitalized and depreciated for financial statement purposes. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets. Equipment, furniture, and software acquisitions with costs less than the above thresholds are charged as an administrative expense.

The useful lives are as follows:

Computer equipment	5 years
Office furniture and equipment	6-10 years
Vehicles	5 years
Buildings and building improvements	7-40 years
Land improvements	20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-term Obligations. Long term obligations at December 31, 2017 include compensated absences, other post-employment benefit obligations and pension liabilities that will not be paid within the next fiscal year.

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.

Employee Compensated Absences. Employees of the Board earn and accumulate annual and sick leave at varying rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

Upon separation or transfer, unused compensatory leave earned hour for hour by non-exempt employees shall be paid in accordance with the following schedule, at the final regular rate received by the employee, calculated in accordance with State Civil Service Rule 21.5(a). All additional such unused leave may be paid or cancelled and shall not be re-credited to him upon his reemployment in that or any other department.

360 hours must be paid after January 1, 2003

450 hours must be paid after January 1, 2004

All hours must be paid after January 1, 2005

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

Net Position. Net position comprises the various net earnings from operation, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following two components as applicable:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted consists of all other net assets that are not invested in capital assets.

Estimates. The preparation of financial statements in conformity with generally accepted 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 expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Principles. GASB Statement No. 82, *Pension Issues*, was implemented by the Licensing Board for the fiscal year ended December 31, 2017. The only impact on the Licensing Board is a change in terminology for the payroll-related measures in the required supplementary information from *covered-employee payroll* to *covered payroll.*

Deferred Outflows of Resources and Deferred Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Subsequent Events. In preparing these financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through April 19, 2018, which is the date the financial statements were available to be issued.

2. Deficit Net Position

The single proprietary (enterprise) fund had a deficit in unrestricted net position at December 31, 2017 of ($1,094,511). The deficit was caused by the adoption of GASB 68 and GASB 71 which caused the Board to record its proportionate share of pension liability from the LASERS system. This deficit will be eliminated by increasing revenues and/or reducing expenditures.

3. Deposits and Investments

Deposits. At December 31, 2017, the Board has deposits totaling $6,468,809 (book balances) as follows:

Petty cash	$ 400
Demand deposits	6,468,409
Total	$ 6,468,809

Investments. The Licensing Board is subject to the provisions of Louisiana Revised Statute 33:2955, which is entitled "Investments by political subdivisions." This law, among other things, outlines the types of securities that public entities in Louisiana may acquire and hold as investments. These include U.S. Government and agency securities, and certificates of deposit of banks domiciled or having a branch office in the state of Louisiana. The following table provides information on the credit ratings, maturity dates, and fair values associated with the Licensing Board's investments at December 31, 2017:

	Rating	**Maturity Dates**	
Louisiana Asset Management Pool	AAAm	N/A	**$ 1,261,132**
U.S. Treasury Notes	Aaa	9/2018-11/2018	**745,566**
Certificates of Deposit	Not Rated	4/2018-11/2018	**1,550,000**
Total			**$ 3,556,698**

Interest Rate Risk

Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. Of the Licensing Board's investments, $3,556,698 have maturities of less than one year.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Licensing Board.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure, the Licensing Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the Licensing Board, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Licensing Board's name. The investments of the Licensing board owned at December 31, 2017 were not subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools).

The Louisiana Asset Management Pool (LAMP) is a local government investment pool. In accordance with GASB Codification Section 150.165, these investments are not categorized with deposits because they are not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The dollar weighted average portfolio maturity for LAMP's total investments is 89 days (from LAMP's monthly portfolio holdings) as of December 31, 2017. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

4. Capital Assets

A summary of changes in property and equipment for the year ended December 31, 2017 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	$ 577,719	$ 2,258,450	$ -	$ 2,836,169
Buildings and operating facilities	3,379,221	-	-	3,379,221
Office, furniture and equipment	513,647	47,848	11,748	549,747
Vehicles	45,556	-	-	45,556
Construction in Progress	584,179	246,771	-	830,950
	5,100,322	2,553,069	11,748	7,641,643
Less accumulated depreciation	1,728,159	103,356	11,748	1,819,767
	$3,372,163	$ 2,449,713	$ -	$ 5,821,876

5. Pension Plan

Plan Description

Substantially all employees of the Board 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.

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.

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.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

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.

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.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that give date. The average rate so determined is to be reduced by a "contingency) adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

Disability Benefits

Generally, 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.

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60% of final average compensation, regardless of years of credited service. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member 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.

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.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation, and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and the children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60 % of final average compensation to surviving spouse, regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

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

The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. Rates for the year ended December 31, 2017 are as follows:

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
January 1 - June 30, 2017			
Regular Employees hired before 7/1/2006	Closed	7.5%	35.8%
Regular Employees hired on or after 7/1/2006	Closed	8.0%	35.8%
Regular Employees hired after 1/1/2011	Closed	8.0%	35.8%
Regular Employees hired on or after 7/1/15	Open	8.0%	35.8%
July 1 - December 31, 2017			
Regular Employees hired before 7/1/2006	Closed	7.5%	37.9%
Regular Employees hired on or after 7/1/2006	Closed	8.0%	37.9%
Regular Employees hired after 1/1/2011	Closed	8.0%	37.9%
Regular Employees hired on or after 7/1/15	Open	8.0%	37.9%

The Board's contractually required composite contribution rates for the year ended December 31, 2017 are 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 Board were $839,513 for the year ended December 31, 2017.

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

At December 31, 2017, the Employer reported a liability of $8,790,091 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Board's proportion of the Net Pension Liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Board's proportion was .12488%, which was a decrease of .00004% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Board recognized pension expense of $804,332 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions ($111,838).

At December 31, 2017, 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	$ -	$ (161,288)
Changes of assumptions	34,726	-
Net difference between projected and actual earnings on pension plan investments	285,837	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	175,984	-
Board contributions subsequent to the measurement date	426,299	-
Total	$ 922,846	$ (161,288)

$426,299 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	LASERS
2018	$ 141,649
2019	256,190
2020	114,387
2021	(176,965)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.70% per annum, net of investment expenses*
Inflation Rate	2.75% per annum
Mortality	**Non-disabled members** - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. **Disabled members** – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
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	3.8%	12.8%
Judges	2.8%	5.3%
Corrections	3.4%	14.3%
Hazardous Duty	3.4%	14.3%
Wildlife	3.4%	14.3%

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.

*The investment rate of return used in the actuarial valuation for funding purposes was 8.16%, recognizing an additional 40 basis points for gain-sharing and 15 basis points to offset administrative expenses.

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 8.69% for 2017. 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Expected Long-Term Real Rates of Return
Cash	0%	-0.24%
Domestic equity	25%	4.31%
International equity	32%	5.35%
Domestic Fixed Income	8%	1.73%
International Fixed Income	6%	2.49%
Alternative Investments	22%	7.41%
Global Tactical Asset Allocation	7%	2.84%
Total Fund	100%	5.26%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the 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 active 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 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 7.70%, 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 (6.70%) or one percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of the net pension liability	$ 11,034,962	$ 8,790,091	$ 6,881,418

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2017 Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

Included in accrued expense liabilities is $19,996 payable to the System which was remitted subsequent to December 31, 2017.

6. Postemployment Health Care and Life Insurance Benefits

The Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees of the Board become eligible for these benefits if they reach normal retirement age of the applicable retirement system while working for the Board and are covered by an active medical plan immediately prior to retirement.

Plan Description. Employees of the Board may participate in the State of Louisiana's OPEB Plan which is administered by the Office of Group Benefits (OGB). OGB offers several standard healthcare plans for both active and retired employees. OGB provides an agent, multiple-employer defined benefit Other Postemployment Benefit (OPEB) Plan that provides medical, prescription drug, and life insurance benefits to eligible retirees and their eligible beneficiaries. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. Participants are eligible for plan benefits if they retire under one of the state retirement systems and are covered by the active medical plan immediately before retirement. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan.

The OGB does not issue a publicly available financial report of the OPEB Plan; however, the entity is included in the state of Louisiana's 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.

Funding Policy. The OPEB plan is currently funded on a "pay-as-you-go" basis through a combination of retiree and Board contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the OPEB Plan and if the member has Medicare coverage.

The contribution requirements of plan members and the Board are established and me be amended by R.S. 42:801-883. 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 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 and the employee is based on the following schedule:

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

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

Annual OPEB Cost and Net OPEB Obligation The Board's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The 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 accrued liability (UAAL) over a period not to exceed 30 years. A 30-year, open amortization period has been used. The total ARC for fiscal year 2017 is $341,000.

The following schedule presents the components of the Board's annual OPEB cost for the fiscal years ended December 31, 2017, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation to the OPEB plan:

Annual Required Contribution (ARC)	$ 341,000
Interest on Net OPEB Obligation	166,200
Adjustment of ARC	(163,000)
Annual OPEB Cost	344,200
Contribution (amounts paid by the government during year for OPEB)	(255,471)
Increase in Net OPEB Obligations	88,729
OPEB obligation at beginning of year (1/1/2017)	4,373,033
OPEB obligation at end of year (12/31/2017)	$ 4,461,762

Annual OPEB Cost. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2017, 2016 and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	$ 432,500	54.02%	$ 4,168,349
12/31/2016	$ 447,400	54.25%	$ 4,373,033
12/31/2017	$ 344,200	74.22%	$ 4,461,762

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2017 was as follows:

Actuarial accrued liability (AAL)	**$ 5,015,727**
Actuarial value of plan assets	**-**
Unfunded actuarial accrued liability	**$ 5,015,727**
Funded ratio (actuarial value of plan assets/ AAL)	**0.00%**
Covered payroll (active plan members)	**$ 2,445,769**
UAAL as a percentage of covered payroll	**205.08%**

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 of the employer 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL 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 AAL consistent with the long-term perspective of the calculations.

The RP 2014 Generational Mortality Table using MP 2016 Projection Scale was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized as a level percentage of projected payroll over an open amortization period of 30 years. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

A summary of the actuarial assumptions is presented as follows:

	Fiscal Year 2017
Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level % of payroll
Amortization period	30 years, open
Asset valuation method	None
Actuarial assumptions:	
Discount rate	3.8%
Projected salary increase	3%
Health care inflation rate	6%-7%
Health care inflation rate - ultimate	4.50%

7. Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

8. Litigation and Claims

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the State's risk management program, or by State General Fund appropriation.

9. Unearned Revenue

Unearned revenue of $3,247,324, as reflected on Statement A, represents payments received from applicants for licenses for periods subsequent to December 31, 2017.

10. Long-term Obligations

The following is a summary of long-term obligation transactions, which consist of compensated absences and OPEB obligations for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
Compensated absences payable	$ 263,172	$ 118,856	$ (128,579)	$ 253,449	$ 81,535
Net pension liability	9,809,722	888,963	(1,908,594)	8,790,091	-
OPEB payable	4,373,033	344,200	(255,471)	4,461,762	-
Total long-term liabilities	$ 14,445,927	$ 1,352,019	$ (2,292,644)	$ 13,505,302	$ 81,535

11. Agency Transactions

In 1991, the Board established the Contractor's Educational Trust Fund (CETF) with an initial transfer of $2.9 million of surplus board funds. CETF was established to promote, encourage, and further the accomplishment of all activities that are or may benefit all persons engaged or interested in the construction vocation and the affording of such persons of effective and practical education, training, and instructions in the art of proper and lawful construction contracting in and for the State of Louisiana and other such activities that have a public purpose. The initial transfer of $2.9 million was used to fund various endowed professorships and chairs at Louisiana's colleges and universities for construction-related education. These funds were partially matched by the Board of Regents.

R.S. 37:2162 requires the Board to remit any fines and penalties collected less attorney's fees, courts costs and processing costs to the CETF upon the completion of the financial audit. Therefore, the fines and the corresponding liability to the Trust are recognized when the fines are collected. In 2017, the Board issued fines of $1,757,591 with receipts for current and previous year's fines of $221,651. CETF is administered by a group of trustees and continues to fund educational programs related to the construction vocation.

The Attorney General of Louisiana, in Attorney General Opinion 01-0264, has concluded that once the fines are remitted to the CETF, all of the Board's title and interest in the fines are transferred to the CETF trustees and the Board's fiduciary capacity over the fines ceases.

In 2013, House Bill 1420 was repealed that enacted R.S. 37:2156(c)(3) which provided that the Board shall include on each license renewal form issued to a contractor an optional election, whereby the contractor may choose to donate additional funds to a specified public university within Louisiana that offers an accredited, degreed program in the field of construction management. Any such donated funds received by the Board shall be remitted to the university chosen by the contractor. Any such donated funds received by the university shall be used solely for the benefit of their construction management programs.

R.S. 37:2156(c)(3) was amended and reenacted by House Bill 421 in the 2013 Regular session; (3)(a) The board shall assess on each license renewal issued to a contractor an additional fee of one hundred dollars per year to be dedicated and allocated as provided in this Paragraph to any public university in this state or any community college school of construction management or construction technology in this state that is accredited by either the American Council for Construction Education or the Accreditation Board for Engineering and Technology. The board shall include on each license renewal form issued to a contractor an optional election whereby the contractor may choose to not participate in the remission of the additional one hundred dollar dedication fee. (b) Each January, each accredited public university or community college school of construction management or construction technology shall report to the board the number of graduates from its school of construction management or construction technology from the previous calendar year. (c) Any and all funds collected pursuant to this Paragraph shall be disbursed to the accredited public university or community college schools of construction management or construction technology by August first of each year upon completion of the annual audit of the board. The funds shall be used by the accredited public university or community college schools of construction management or construction technology solely for the benefit of their program and the expenditure of such funds shall be approved by the industry advisory council or board for the program. The funds collected pursuant to this Paragraph shall be in addition to any other monies received by such schools and are intended to supplement and not replace, displace, or supplant any other funds received from the state or from any other source. Any school of construction management or construction technology that experiences a decrease in the funding appropriated to them by the accredited public university or community college as determined by the industry advisory council or board for the program shall be ineligible for participation under the provisions of this Paragraph, and the monies from the fund for such school of construction management or construction technology shall be redistributed on a pro rata basis to all other accredited and eligible schools. (d) The funds collected pursuant to this Subsection shall be distributed as follows: (i) One-half on a pro rata basis to each accredited public university or community college school of construction management or construction technology. (ii) One-half pro rata to each accredited public university school of construction management or construction technology based on the total number of graduates from the previous calendar year from each school as reported to the board. (e) No funds shall be allocated to any public university or community college school of construction management or construction technology that does not maintain current and active accreditation as required by this Paragraph.

At December 31, 2017, included in cash and cash equivalents was $562,335 collected on behalf of State Universities. The offsetting liability is included in accounts payable.

12. Refunds Payable

Refunds payable result from overpayments received in the application and renewal of licenses. The Board's policy is to refund these overpayments once the licensing or renewal processes are complete. Refunds payable at December 31, 2017 were $8,624.

13. Lease Commitments

The Board has commitments with non-state entities to lease certain equipment. Future minimum rental commitments for equipment operating leases as of December 31, 2017 are as follows:

Years Ending December 31,	
2018	**$ 16,274**

The total rental expense under the operating leases equaled $34,364 at December 31, 2017.

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

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

Year Ended December 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Nonbudgeted Items and Adjustments		Actual (Budgetary Basis)	Budget to GAAP Differences Favorable (Unfavorable)
Revenues							
Licenses, permits and fees	$ 5,682,000	$ 5,682,000	$ 6,017,794	$ -		$ 6,017,794	$ 335,794
Investment income	18,000	18,000	29,371	-		29,371	11,371
Total revenues	5,700,000	5,700,000	6,047,165	-		6,047,165	347,165
Expenditures							
Personal services	4,010,000	4,010,000	4,069,373	(157,788)	(1),(3),&(4)	3,911,585	98,415
Travel	168,000	168,000	156,788			156,788	11,212
Operating services	834,500	834,500	861,940	(29,281)	(3)	832,659	1,841
Supplies	118,000	118,000	107,479			107,479	10,521
Professional services	260,000	260,000	188,290			188,290	71,710
Capital outlay	2,346,176	2,346,176	-	2,553,069	(2)	2,553,069	(206,893)
Depreciation	-	-	103,356	(103,356)	(2)	-	-
Total expenditures	7,736,676	7,736,676	5,487,226	2,262,644		7,749,870	(13,194)
Excess of revenue over (under) expenditures and other sources	$ (2,036,676)	$ (2,036,676)	559,939	(2,262,644)		(1,702,705)	$ 333,971
Total net position							
Beginning			5,386,787	425,970	(5)	5,812,757	
Ending			$ 5,946,726	$ (1,836,674)		$ 4,110,052	

Explanation of differences:

(1) Compensated absences are budgeted on the modified accrual basis. Under accounting principles generally accepted in the United States of America, these costs are recognized when the benefit is earned of $9,724.

(2) Capital assets are recognized for budget purposes when purchased. Under accounting principles generally accepted in the United States of America, such capital assets are recognized as long-lived assets and depreciation is recognized over the life of the assets, as well as any loss on disposal.

(3) GASB 45 requires recording an expense for the annual OPEB cost of $59,448 and interest of $29,281

(4) GASB 68 requires recording an expense for the annual Pension cost of $88,616.

(5) The amount reported as "Net Position" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund net position due to the cumulative effect of transactions such as those described above.

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

Schedule of Funding Progress for Postemployment Benefits | ***Year Ended December 31, 2017***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	$ -	$ 6,307,900	$ 6,307,900	0.00%	$ 2,471,904	255.18%
7/1/2015	$ -	$ 6,496,251	$ 6,496,251	0.00%	$ 2,460,940	263.97%
7/1/2016	$ -	$ 5,015,727	$ 5,015,727	0.00%	$ 2,445,769	205.08%

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

Schedule of Employer's Proportionate Share of the Net Pension Liability — ***Year Ended December 31, 2017***

Fiscal Year*	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
LASERS:					
2017	0.1249%	$8,790,091	$2,445,769	359.40%	62.50%
2016	0.1249%	$9,809,722	$2,394,364	398.62%	65.00%
2015	0.1167%	$7,940,354	$2,342,660	338.95%	65.02%
2014	0.1202%	$7,514,350	$2,250,257	333.93%	58.64%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of June 30, 2017.

*The amounts presented have a measurement date of June 30 of the current fiscal year end.

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

Schedule of Employer's Pension Contributions *Year Ended December 31, 2017*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contracually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
LASERS:					
2017	$926,947	$926,947	$ -	$2,445,769	37.90%
2016	$843,849	$843,849	$ -	$2,394,364	35.24%
2015	$841,465	$841,465	$ -	$2,342,660	35.92%
2014	$777,144	$777,144	$ -	$2,250,257	34.54%
2013	$631,262	$631,262	$ -	$2,045,487	30.86%
2012	$478,160	$478,160	$ -	$1,733,211	27.59%
2011	$410,194	$410,194	$ -	$1,712,583	23.95%
2010	$397,747	$397,747	$ -	$1,837,600	21.64%
2009	$391,606	$391,606	$ -	$2,262,057	17.31%
2008	$386,521	$386,521	$ -	$1,991,691	19.41%
2007	$363,312	$363,312	$ -	$1,868,661	19.44%

Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer's Pension Contributions

LASERS

Changes of Benefit Terms include:

- 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 year ended December 31, 2017.

Schedule 5

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

Schedule of Per Diem Paid Board Members ***Year Ended December 31, 2017***

	Days	Amount
State Licensing Board for Contractors		
Lloyd Badeaux	12	$ 900
Noah Broussard, Jr.	11	825
William Clouatre	11	825
Nelson Dupuy, Jr.	10	750
Courtney Fenet, Jr.	11	825
August Gallo, Jr.	11	825
Danny Graham	8	600
Jaclyn Hotard	6	450
Kenneth Jones	10	750
Donald Lambert	12	900
Chester Lee Mallett	9	675
Garland Meredith	11	825
Christopher Stuart	10	750
Byron Talbot	11	825
Victor Weston	7	525
Residential Building Contractors Subcommittee		
Lloyd Badeaux	11	825
William Clouatre	4	300
James Fine	11	825
Jody Guidry	7	525
Jaclyn Hotard	1	75
Robert Hamilton	10	750
Kenneth Jones	4	300
Chester Lee Mallett	2	150
Frank Morse, Jr.	11	825
Wesley Wyman, Jr.	11	825
		$ 16,650

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 37:2154 and are included in the expenditures of the General Fund. Board members are paid $75 per day for board meetings and official business.

Schedule 6

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

Schedule of Compensation, Benefits and Other Payments to Agency Head — ***Year Ended December 31, 2017***

Agency Head Name: Michael B. McDuff

Purpose		
Salary	$	**161,283**
Benefits-insurance		**11,873**
Benefits-retirement		**59,765**
Deferred compensation		**12,000**
Cell phone		**900**
Dues		**475**
Vehicle Rental		**394**
Reimbursements		**1,032**
Travel		**1,082**
Registration fees		**495**
Conference travel		**2,367**
	$	**251,666**

Provost Salter Harper Alford LLC
Certified Public Accountants
Business Advisors

INDEPENDENT AUDITOR'S 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*

Governor's Office
Louisiana State Licensing Board for Contractors
State of 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 Louisiana State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements, and have issued our report thereon dated April 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana State Licensing Board for Contractors' 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 Louisiana State Licensing Board for Contractors' internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Licensing Board for Contractor'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 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 results 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. Accordingly, this communication is not suitable for any other purpose.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper + Alford, LLC

April 19, 2018
Baton Rouge, Louisiana

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

Schedule of Compliance Findings and Recommendations ***December 31, 2017***

Internal control over financial reporting.
No matters were reported.

Noncompliance or other matters material to the financial statements.
No matters were reported.

Management letter.
No Management letter issued.

INDEPENDENT ACCOUNTANT'S REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

Louisiana State Licensing Board for Contractors

September 30, 2017

Provost Salter Harper & Alford LLC

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Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board and Management
Louisiana Licensing Board for Contractors

We have performed the procedures enumerated below, which were agreed to by the Louisiana State Licensing Board for Contractors and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period October 1, 2016 through September 30, 2017. The entity's management is responsible for those C/C areas identified in the SAUPs. For any procedures that do not apply, we have marked "not applicable."

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

Procedure 1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable.

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls and checks to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

c) ***Disbursements***, including processing, reviewing, and approving.

d) ***Receipts***, including receiving, recording, and preparing deposits.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings:

The entity does not have written policies and procedures that address a requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were reviewed and determined to be adequate for all other financial/business functions.

Board

Procedure 2: Obtain and review board/committee minutes for the period and:

a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Findings:

No exceptions noted.

b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

   - If the budget-to-actual comparisons show that management was deficit spending during the period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the period reflect that the board is monitoring the plan.

   Findings:

   No exceptions noted.

c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the period.

   Findings:

   No exceptions noted.

Bank Reconciliations

Procedure 3: Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We obtained a listing of 2 bank accounts from the Accountant Administrator.

Procedure 4: Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the period and report whether:

a) Bank reconciliations have been prepared;

   Findings:

   No exceptions noted.

b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation

Findings:

No exceptions noted.

c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the period.

Findings:

No exceptions noted.

Collections

Procedure 5: Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Cash is only collected at the LSLBC office in Baton Rouge.

Procedure 6: Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected**:

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Findings:

No exceptions noted.

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Findings:

No exceptions noted.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings:

No exceptions noted.

Procedure 7: Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings:

No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

Procedure 8: Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We obtained a listing of entity disbursements from management.

Procedure 9: Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

From the population of 1,733 disbursements, a random sample of 25 cash disbursements totaling $13,317 was selected for testing.

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Findings:

One purchase was initiated without a purchase requisition.

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Findings:

No exceptions noted.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings:

One payment was processed without an approved purchase requisition.

Procedure 10: Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Findings:

No exceptions noted.

Procedure 11: Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Findings:

No exceptions noted.

Procedure 12: Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Findings:

No exceptions noted.

Procedure 13: If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings:

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Procedure 14: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We obtained a listing of active credit cards and fuel cards.

Procedure 15: Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The entity has 11 active credit and fuel cards. We selected a random sample of 10 for testing.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Findings:

No exceptions noted.

b) Report whether finance charges and/or late fees were assessed on the selected statements.

Findings:

No exceptions noted.

Procedure 16: Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Findings:

No exceptions noted.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Findings:

No exceptions noted.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings:

No exceptions noted.

Travel and Expense Reimbursement

Procedure 17: Obtain from management a listing of all travel and related expense reimbursements, by person, during the period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

> ***We obtained a listing of all travel and related expense reimbursements, by person, during the period.***

Procedure 18: Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

> **Findings:**
>
> ***No exceptions noted.***

Procedure 19: Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

> ***Expenses for all employees totaled $47,653. Expenses for the three employees selected totaled $17,305.***

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#17 above) and report each reimbursement that exceeded those rates.

> **Findings:**
>
> ***No exceptions noted.***

b) Report whether each expense is supported by:

- ➢ An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- ➢ Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- ➢ Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Findings:

No exceptions noted.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings:

No exceptions noted.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

No exceptions noted.

Contracts

Procedure 20: Obtain a listing of all contracts in effect during the period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We obtained a listing of all contracts in effect during the period, totaling $520,995, from the Accountant Administrator. We selected five contracts, totaling $407,278, for testing.

Procedure 21: Using the listing above, select the five contract "vendors" that were paid the most money during the period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Findings:

No exceptions noted.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

  Findings:

  No exceptions noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

  Findings:

  Remson Haley Herpin Architects, APAC – This is a professional services contract that was not required to be bid.

  Bankston & Associates, LLC – This is a professional services contract that was not required to be bid.

  Guaranty Broadcasting of Baton Rouge, LLC – This is a service contract that was not required to be bid.

  Micropact Global Inc. – This is a service contract that was not required to be bid.

  Louisiana Network – This is a service contract that was not required to be bid.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

   Findings:

   Remson Haley Herpin Architects, APAC – The amended contract reduced the estimated fee by $7,920. The original contract allowed for amendment.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

   Findings:

   No exceptions noted.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings:

No exceptions noted.

Payroll and Personnel

Procedure 22: Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

a) Review compensation paid to each employee during the period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Findings:

No exceptions noted.

b) Review changes made to hourly pay rates/salaries during the period and report whether those changes were approved in writing and in accordance with written policy.

Findings:

No exceptions noted.

Procedure 23: Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the period), and:

We selected the pay period ending December 23, 2016. We selected a random sample of 25 employees.

a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Findings:

No exceptions noted.

b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Findings:

One employee's attendance and leave was not approved, electronically or in writing, by a supervisor.

c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings:

No exceptions noted.

Procedure 24: Obtain from management a list of those employees/officials that terminated during the period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Findings:

No exceptions noted.

Procedure 25: Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings:

No exceptions noted.

Ethics (excluding nonprofits)

Procedure 26: Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Findings:

The entity does not have documentation of ethics training for one employee/official

Procedure 27: Inquire of management whether any alleged ethics violations were reported to the entity during the period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings:

No exceptions noted.

Debt Service (excluding nonprofits)

Procedure 28: If debt was issued during the period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Findings:

No debt was issued during the period. Therefore, this procedure was not applicable.

Procedure 29: If the entity had outstanding debt during the period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Findings:

The entity did not have any outstanding obligations during the period. Therefore, this procedure was not applicable.

Procedure 30: If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the period. Also, report any millages that continue to be received for debt that has been paid off.

Findings:

The entity did not have tax millages related to debt service. Therefore, this procedure was not applicable.

Other

Procedure 31: Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings:

No exceptions noted.

Procedure 32: Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

No exceptions noted.

Procedure 33: If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings:

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

January 24, 2018