STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDING JUNE 30, 2015
ISSUED MAY 18, 2016

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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DARYL G. PURPERA, CPA, CFE

May 12, 2016

Independent Auditor's Report

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA
New Orleans, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As disclosed in note 4 to the financial statements, the net pension liability for the Board was $1,212,498 at June 30, 2015, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS's and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2015, could be under or overstated.

As discussed in notes 1-K and 10 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions − an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date − an amendment of GASB Statement No. 68*, for the year ended June 30, 2015. The adoption of these standards required the Board to record its proportionate share of pension amounts related to its participation in cost-sharing, multiple-employer defined benefit pension plans, restating the previous year. As a result of the implementation, the Board's net position decreased by $1,066,340; net pension liability was recorded in the amount of $1,178,353; and deferred outflow of resources was recorded in the amount of $112,013 as of July 1, 2014.

Our opinion is not modified with respect to the matters emphasized above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11, the Schedule of the Board's Proportionate Share of the Net Pension Liability on page 31, the Schedule of Board Contributions on page 31, and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Per Diem Paid Board Members on page 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Per Diem Paid Board Members 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 is 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 May 12, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2015. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Board's operating revenue is generated by fees for license and firm permit applications, annual license and permit renewals, and by fines, settlements, and cost recoveries from enforcement related activities.

- Total operating revenue decreased by $35,065 (or 3.26%) from 2015 to 2014. More than 100% of that decrease occurred because revenue from enforcement actions were lower in this fiscal year than the prior year.

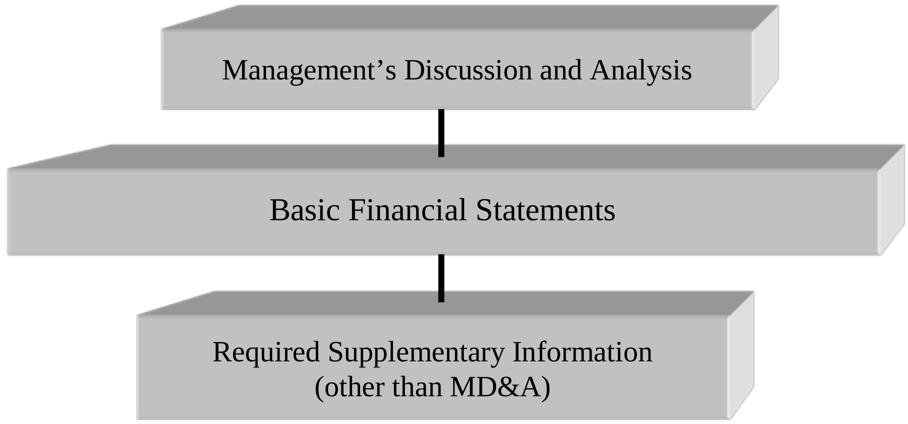
- Revenue related to enforcement activity is subject to wide fluctuation from year to year. Fines and settlements, which include recoveries of enforcement costs, represent $78,208 (or 7.51%) of total operating revenues for the fiscal year 2015. Last fiscal year, revenue from enforcement activity was $116,937 (or 10.86%) of total operating revenue.

- Nonoperating revenue consists of interest on a money market checking account. Interest earnings represent less than 0.35% of total revenues for both this fiscal year and last fiscal year.

- Operating expenses increased by $113,172 (or 12.05%) from a total of $939,279 last fiscal year to $1,052,451 this fiscal year. More than 95% of the increase can be attributed to a 50% increase in the state retirement expense over the prior year; bad debt expense of almost $26,000; software acquisitions of nearly $12,000 more than last year's acquisitions; and compensation increases including being more fully staffed throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information, as may be applicable. The Board includes a supplemental schedule of Board Member compensation.

Basic Financial Statements

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

The Statement of Net Position (page 12) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 13) presents information showing how the Board's assets changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 14) presents information showing how the Board's cash changed as a result of current-year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement 34.

Required Supplementary Information and Supplementary Information

The required supplementary information presents additional information for the Board as required by the state's Division of Administration.

The Schedule of Per Diem Paid to Board Members (page 34) presents the compensation received by the Board Members in accordance with Louisiana Act No. 473 of 1999.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Position
As of June 30,

	Total	
	2015	2014*
Current and other assets	$1,626,288	$1,577,917
Capital assets	21,074	
Total assets	1,647,362	1,577,917
Total deferred outflow of resources	294,642	
Other liabilities	49,519	28,757
Long-term debt outstanding	1,785,087	548,205
Total Liabilities	1,834,606	576,962
Total deferred inflow of resources	180,251	
Net position:		
Investment in capital assets	21,074	
Unrestricted	(93,927)	1,000,955
Total net position	($72,853)	$1,000,955

*Amounts for 2014 in the MD&A were not restated for GASB Statement No. 68 regarding pensions. The restatement of the prior year was not practical.

Restricted assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted assets are those that do not have any limitations on how these amounts may be spent.

There are no restricted assets for the years ended June 30, 2015, or June 30, 2014.

The net position of the Board decreased by $1,073,808 (or 107.28%) from June 30, 2015, to June 30, 2014. The principal reason for this decrease is due to implementation of GASB Statement 68, *Transition and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current fiscal year. Restatement of the year's beginning net position and recognition of deferred outflow of resources for the pension contribution made subsequent to the measurement date of the beginning net pension liability was required. An adjustment to the beginning net position of $1,066,340 resulted in a restated net position at July 1, 2014, of ($65,385).

Deferred outflow of resources, a net pension liability at year-end of $1,212,498, and deferred inflow of resources were all recorded and reflected in the current fiscal year balances as required due to the implementation of both GASB Statements 68 and 71.

Statement of Revenues, Expenses, and Changes in Net Position
For the years ended June 30,

	Total	
	2015	2014*
Operating revenues	$1,041,394	$1,076,459
Operating expenses	1,052,451	939,279
Operating income (loss)	(11,057)	137,180
Nonoperating revenues	3,589	3,287
Nonoperating expenses		
Income (loss) before transfers	(7,468)	140,467
Transfers in		
Transfers out		
Net increase (decrease) in net position	($7,468)	$140,467

*Amounts for 2014 were not restated in the MD&A for GASB Statement No. 68 regarding pensions. The restatement of the prior year was not considered practical.

The Board's total operating revenues decreased by $35,065 (or 3.26%) primarily due to enforcement activity revenues. Revenues from enforcement activities fluctuate year to year and cannot be relied upon as a stable source of income for operating expenses.

The total cost of all programs and services increased by $113,172 (or 12.05%). As explained in the financial highlights on page 5, more than 95% of the increase can be attributed to four expense categories that increased year over year. Just as revenues from enforcement activities fluctuate year to year, collection of those revenues are not guaranteed; an uncollectible balance was written off this year. Additionally, there was a statewide increase of 5.7% in the current fiscal year in the retirement contribution rate due to LASERS from state employers, and implementation of GASB 68 and 71 further increased the employer's pro-rata pension expense for the year. Technology upgrades including compatible software were also budgeted and expensed during the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Board's investment in capital assets consists of office and computer equipment that is or has been depreciated over periods of five to six years. At the end of fiscal year ended June 30, 2015, the Board's capital assets less depreciation totaled $21,074.

This year's major addition to capital assets included the purchase and installation of a new computer server to replace obsolete servers that were more than six years old.

Debt

The Board has not financed 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, retirement (pension) liabilities, and other postemployment benefits as described in the notes to the financial statements.

The Board has claims and judgments of $0 outstanding at year-end compared with $0 last year.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

The Board's annual budget is on a modified accrual basis of accounting excluding certain non-exchange revenues and noncash items such as accrued earnings of compensated absences, other postemployment benefits, and depreciation.

The original budget approved for the year ended June 30, 2015, was amended once during the fiscal year. Similarly, the original budget for the year ended June 30, 2014, was also amended once during the prior fiscal year.

For the year ended June 30, 2015, actual revenues were over the amended budget amount by $36,783 (or 3.65%). For the year ended June 30, 2014, actual revenues were over the final budget by $65,045 (or 6.41%).

For the year ended June 30, 2015, actual expenses were under the final budget by $45,990 (or 4.19%). For the year ended June 30, 2014, actual expenses were under the final budget by $114,128 (or 10.83%).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The total number of licensees and registrants has been relatively stable over recent years, gradually increasing year to year. National forecasts of the volume of new licensee applications not keeping up with "baby boomer" retirements has not materialized in our state, and population outflows due to Hurricane Katrina and the 2008 recession appear to have stabilized. It is anticipated that the total number of licensees and registrants will continue to trend slightly upwards.

- License and annual renewal fees are monitored closely by the Board in order to balance its responsibilities as a regulator with its interest in keeping fees at reasonable levels in relation to operating costs.

- Enforcement of statutes and rules is a significant function of the Board, and having the necessary resources available to investigate cases as they arise as well as having the technology and personnel to monitor those cases effectively is crucial.

- The cost of other postemployment benefits (OPEB) are reported in annual actuarial reports, covering all state agencies, which is prepared and issued by an actuary retained by the state of Louisiana to estimate these costs under the applicable actuarial methods. The expense and accrued liability relates to the obligation to pay the employer share of post-retirement premiums of employees enrolled in the state health plan (OGB) at the time of retirement from state service. The Board annually monitors the OPEB costs when budgeting for fee considerations.

- The cost of pension benefits was and will be reported in annual actuarial reports, covering all state agencies, which is prepared and issued by an actuary retained by the state of Louisiana to estimate these costs under the applicable actuarial methods. The expense and accrued liability related to the obligation, in excess of the actual cash payments expensed monthly, of the employer's share of vested retirement benefits of employees retiring from state service will be recorded annually. The Board will monitor these costs when budgeting for fee considerations also.

The Board expects that next year's revenues will be lower than this fiscal year's actual revenues while expenses will be higher based on the following:

- Licensee and firm permit revenues are expected to decrease by less than 3% in the upcoming year as compared to this fiscal year's actual. The new fiscal year is a Continuing Professional Education (CPE) Reporting year in which it is expected that there will be an increase in active licensees changing their status to inactive (CPE exempt), which would result in less revenue.

- Enforcement activities vary from year to year; therefore, both revenues and costs from those activities fluctuate. Conservative estimates expect that enforcement revenue will be about 30% lower in the coming year, while expenses are predicted to be higher. The Board will monitor this activity for changes throughout the year.

- Retirement and insurance costs continue to rise as the employer contribution rates for both LASERS and health insurance premiums increase annually.

- Upgrades in hardware were made this year, and continued investments in software and better technology are needed to meet the demands of recordkeeping, online renewals, enforcement, and information dissemination. Significant expenditures could be required to make these technology changes to provide better accountability, transparency, and greater efficiency.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, licensees, registrants, examination candidates, individuals and organizations served by CPAs, and other users with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board's executive director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Statement of Net Position, June 30, 2015

ASSETS	
Current assets:	
Cash (note 2)	$1,495,560
Receivables	111,957
Prepayments	18,771
Total current assets	1,626,288
Noncurrent assets:	
Capital assets, net (note 3)	21,074
Total noncurrent assets	21,074
Total assets	1,647,362
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (note 4)	294,642
Total Deferred Outflows of Resources	294,642
LIABILITIES	
Current liabilities:	
Accounts payable	29,849
Unearned revenue	7,600
Current portion of long-term liabilities - compensated absences payable (note 5)	12,070
Total current liabilities	49,519
Noncurrent liabilities:	
Compensated absences payable (note 5)	12,309
Net Pension Liability (notes 4 and 5)	1,212,498
Other postemployment benefits (OPEB) payable (notes 5 and 6)	560,280
Total noncurrent liabilities	1,785,087
Total liabilities	1,834,606
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 4)	180,251
Total Deferred Outflows of Resources	180,251
NET POSITION	
Investment in capital assets	21,074
Unrestricted	(93,927)
Total net position	($72,853)

The accompanying notes are an integral part of this statement.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

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

OPERATING REVENUES	
Licenses, permits, and fees	$955,870
Fines and settlements	78,208
Other income	7,316
Total operating revenues	1,041,394
OPERATING EXPENSES	
Personal services	688,265
Professional, contractual and acquisitions	88,778
Operating services and supplies	271,327
Depreciation (note 3)	4,081
Total operating expenses	1,052,451
OPERATING LOSS	(11,057)
NONOPERATING REVENUES	
Interest earnings	3,589
Change in net position	(7,468)
TOTAL NET POSITION AT BEGINNING OF YEAR - RESTATED (note 10)	(65,385)
TOTAL NET POSITION AT END OF YEAR	($72,853)

The accompanying notes are an integral part of this statement.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

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

Cash flows from operating activities:	
Cash received from licensees and registrants	$1,115,836
Cash received from customers	7,316
Cash payments to suppliers for goods and services	(362,703)
Cash payments to employees for services	(627,034)
Net cash provided by operating activities	133,415
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(25,155)
Cash flows from investing activities:	
Interest received	3,589
Net increase in cash	111,849
Cash at beginning of year	1,383,711
Cash at end of year	$1,495,560
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	($11,057)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	4,081
Changes in assets and liabilities:	
Decrease in receivables	72,494
(Increase) in prepayments	(9,016)
(Increase) in deferred outflows related to pensions	(182,630)
Increase in accounts payable	11,089
Increase in compensated absences payable	1,988
Increase in OPEB payable	24,470
Increase in unearned revenues	7,600
Increase in pension liability	34,145
Increase in deferred inflows related to pensions	180,251
Total adjustments	144,472
Net cash provided by operating activities	$133,415

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The State Board of Certified Public Accountants of Louisiana (Board), a component unit of the state of Louisiana, was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The Board is a licensing agency of the state of Louisiana. Effective July 1, 2001, the Board was among those transferred from the Department of Economic Development to the Office of the Governor by the legislature. The Board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71 *et seq*. The Board is composed of seven members who are appointed by the governor — five from designated geographic areas and two at-large. The Board acts in Louisiana's public interest to promote the reliability of public accounting and financial reporting. The Board is charged with the responsibility of regulating the practice of certified public accountants (CPA) and firms in the state by enforcing the Accountancy Act, promulgating and enforcing rules of conduct, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the Board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The Board has nine full-time authorized employee positions. As of June 30, 2015, there were 7,419 active (licensed) and 3,018 inactive (unlicensed) certified public accountants and 2,192 CPA firms with licenses in Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the state of Louisiana. The Board is considered a component unit (enterprise fund) of the state of Louisiana because the state has financial accountability over the Board in that the governor appoints the board members. The accompanying financial statements present information only as to the transactions and activities of the Board.

Annually, the state of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the state of Louisiana.

C. BASIS OF ACCOUNTING

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

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

Under the full accrual basis, revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

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

D. BUDGET PRACTICES

The Board prepares its budget in accordance with the Louisiana Licensing Agency Budget Act, R.S. 39:1331-1342. The budget is prepared on a modified accrual basis of accounting. Although budget amounts lapse at year-end, the Board retains its unexpended net position to fund expenses of the succeeding year.

E. CASH

Cash consists of the amounts in interest-bearing demand deposit accounts, cash on hand, and petty cash. Under state law, the Board may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the Union, or the laws of the United States.

F. CAPITAL ASSETS

Capital assets consist of office and computer equipment and are capitalized at historical cost. The Board follows the Louisiana Property Assistance Agency and Office of Statewide Reporting and Accounting Policy guidance for capitalizing and reporting equipment. Only equipment valued at or more than $5,000 and computer software valued at or more than $1,000,000 are capitalized and depreciated for financial statement purposes. Depreciation for financial reporting is computed by the straight-line method over an asset's useful life, which is five years for computer equipment and six years for office equipment. Equipment, furniture, and software acquisitions with costs less than the above thresholds are charged as an administrative expense.

G. NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2015, include compensated absences, other postemployment benefits (OPEB), and net pension liability. A summary of changes in long-term obligations is presented in note 5.

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 the Teachers' Retirement System of Louisiana (TRSL), and additions to/deductions from each systems' fiduciary net position have been determined on the same basis as they are reported by the system. 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.

H. EMPLOYEE COMPENSATED ABSENCES

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

Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave (K-time) earned. Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

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

I. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, and expenses. The Board's net position is classified in the following components:

- Investment in capital assets consists of all capital assets, net of accumulated depreciation.

- Unrestricted net position consists of all assets not included in the other category previously mentioned. Unrestricted net position represents resources derived from the Board's licenses, permits, and fees and is used for transactions related to the Board's general operations. Unrestricted net position may be used at the discretion of the Board.

J. USE OF ESTIMATES

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

K. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the following statements were implemented: GASB Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements changed the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The cumulative effect of applying these statements is reported as a restatement of beginning net position for fiscal year 2015 (see note 10). The restatement of all prior-year deferred outflows and inflows was not practical, so only deferred outflows related to fiscal year 2014 contributions were recorded at implementation.

2. CASH

The Board has cash (book balance) totaling $1,495,560 at June 30, 2015, which consists of the following:

Demand deposits	$1,487,860
Cash on hand	7,600
Petty cash	100
Total	$1,495,560

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be recovered. Under state law, the Board's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the Board or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2015, the Board's total deposits (collected bank balances) was $1,583,054, which was secured from risk by federal deposit insurance plus pledged securities held in the Board's name.

3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance July 1, 2014	Additions	Deletions	Ending Balance June 30, 2015
Equipment	$33,332	$25,155		$58,487
Less accumulated depreciation	(33,332)	(4,081)		(37,413)
Capital assets, net	NONE	$21,074	NONE	$21,074

4. PENSION PLAN

The Board is a participating employer in two statewide, public employee retirement systems, LASERS and TRSL. Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the state legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of these reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

TRSL also administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan. A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

General Information about the Pension Plans

Plan Descriptions/Benefits Provided

All full-time Board employees are eligible to participate in LASERS unless an election is made to continue as a member of another retirement system, such as TRSL, for which they remain eligible for membership.

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

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

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

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

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

TRSL - TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S 11:701. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in R.S. 11:761. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011.

Most members are eligible to receive retirement benefits (1) at the age of 60 with five years of service, (2) at the age of 55 with at least 25 years of service, or (3) at any age with at least 30 years of service. Retirement benefits are calculated by applying a percentage ranging from 2% to 3% of final average salary multiplied by years of service. 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, 2011, or highest 60 consecutive months of employment for members employed after that date.

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011, and attained at least five years of service or if employed on or after January 1, 2011, and attained at least 10 years of service. Members employed prior to January 1, 2011, receive disability benefits equal to 2.5% of average compensation multiplied by the years of service, but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011, receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in R.S. 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service, at least two of which were earned immediately prior to death, or must have had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Survivor benefits are equal to 50% of the benefit to which the member would have been entitled if retired on the date of death using a factor of 2.5% regardless of years of service or age or $600 per month, whichever is greater. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or a qualified handicapped child.

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

Cost of Living Adjustments

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

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily-established methods on an annual basis and are constitutionally-required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions are used to fund the TRSL defined benefit plans' unfunded accrual liability.

Employer contributions to LASERS for fiscal year 2015 were $125,965, with active member contributions ranging from 7.5% to 8%, and employer contributions of 37%. Employer defined benefit plan contributions to TRSL for fiscal year 2015 were $10,498, with active member contributions of 8% and employer contributions of 28%.

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

At June 30, 2015, the Board reported liabilities of $1,124,083 and $88,415 under LASERS and TRSL, respectively, for its proportionate share of the Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2014, and the total pension liabilities used to calculate the NPL were determined by actuarial valuations as of that date. The Board's proportions of the NPL were based on projections of the Board's long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2014, the most recent measurement date, the Board's proportions and the changes in proportion from the prior measurement date were 0.01798%, or an increase of 0.00303% for LASERS and 0.00087%, or an increase of 0.00012% for TRSL.

For the year ended June 30, 2015, the Board recognized a total pension expense of $168,477, or $158,058 and $10,419 for LASERS and TRSL, respectively. The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows			Deferred Inflows		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience				($20,030)	($847)	($20,877)
Changes of assumptions						
Net difference between projected and actual earnings on pension plan investments				(142,207)	(11,282)	(153,489)
Changes in proportion and differences between employer contributions and proportionate share of contributions	$147,005	$11,174	$158,179	(5,588)	(297)	(5,885)
Employer contributions subsequent to the measurement date	125,965	10,498	136,463			
Total	$272,970	$21,672	$294,642	($167,825)	($12,426)	($180,251)

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

Year ended June 30,	LASERS	TRSL	Total
2016	$25,141	($313)	$24,828
2017	$25,141	($313)	$24,828
2018	($35,552)	($313)	($35,865)
2019	($35,552)	($313)	($35,865)

Actuarial Assumptions

The total pension liabilities for LASERS and TRSL in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.75% per annum	7.75%, net of investment exp.
Inflation Rate	3% per annum	2.5% per annum
Mortality - Non-disabled	RP-2000, improvement to 2015	RP-2000, scale AA to 2025
Mortality - Disabled	RP-2000	RP-2000, scale AA to 2025
Termination, Disability, Retirement	2009-2013 experience study	2008-2012 experience study
Salary Increases	2009-2013 experience study, ranging from 3.0% to 14.5%	3.5% to 10.0%
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

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

	Target Allocation	Long Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	0.50%
Domestic equity	27.00%	4.69%
International equity	30.00%	5.83%
Domestic fixed income	11.00%	2.34%
International fixed income	2.00%	4.00%
Alternative investments	23.00%	8.09%
Global tactical asset allocation	7.00%	3.42%
Total	100.00%	
TRSL (arithmetic)		
Domestic equity	31.00%	4.71%
International equity	19.00%	5.69%
Domestic fixed income	14.00%	2.04%
International fixed income	7.00%	2.80%
Alternatives	29.00%	5.94%
Total	100.00%	

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

Sensitivity of the proportionate share of the NPL to changes in the discount rate. The following presents the Board's proportionate share of the NPL for LASERS and TRSL using the current discount rate as well as what the Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
LASERS	$1,441,727	$1,124,083	$854,833
TRSL	$112,610	$88,415	$67,825

Pension plan fiduciary net position. Detailed information about LASERS and TRSL fiduciary net position is available in the separately-issued financial reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan. At June 30, 2015, the Board had $12,300 and $0 in payables to LASERS and TRSL, respectively, for the June 2015 employee and employer legally-required contributions.

5. CHANGES IN LONG-TERM LIABILITIES (CURRENT AND NONCURRENT PORTION)

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Compensated absences payable	$22,391	$29,100	($27,112)	$24,379	$12,070
OPEB payable	535,810	65,400	(40,930)	560,280	
Net pension liability*	1,178,353	329,586	(295,441)	1,212,498	
Total long-term liabilities	$1,736,554	$424,086	($363,483)	$1,797,157	$12,070

*Denotes beginning balance was restated. See restatement for GASB 68 in note 10.

6. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Employees of the Board voluntarily participate in the state of Louisiana's health insurance plan 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 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 provide the authority to establish and amend benefit provisions in the plan.

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). The CAFR may be obtained from 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 costs 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 may 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 the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and employee is based on the following schedule:

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

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual 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) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at the end of the year for the Board were as follows:

Beginning net OPEB obligations at July 1, 2014	$535,810
ARC	64,500
Interest on Net OPEB obligation	21,400
ARC adjustment	(20,500)
Annual OPEB cost	65,400
Contributions made	(40,930)
Increase in net OPEB obligation	24,470
Ending net OPEB obligation at June 30, 2015	$560,280

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$61,600	35.7%	$514,500
June 30, 2014	$61,000	65.1%	$535,810
June 30, 2015	$65,400	62.6%	$560,280

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

Actuarial accrued liability (AAL)	$1,041,100
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$1,041,100
Funded ratio	0%
Covered payroll (active plan members)	$340,500
UAAL as a percentage of covered payroll	306%

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL was amortized as a level percentage of projected payroll over the maximum acceptable period of 30 years on an open basis. The RP-2014 Mortality Table was used in making actuarial assumptions. The actuarial assumptions included a 4.0 percent investment rate of return (discount rate). Retirement rate assumptions differ by employment group and date of plan participation. The health care cost trend rate assumption is used to project the cost of health care to future years. The valuation uses a health care cost trend rate of 8.0% and 7.0% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. Assumptions also include payroll growth of 3%.

7. OPERATING LEASE

The Board's total rental and lease expense for June 30, 2015, was $90,757, which includes an operating lease for office space with a monthly rental of $5,342, currently in a five-year term extension of the amended lease that ends as of August 31, 2016. The Board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are as follows:

Nature of Operating Lease	Fiscal Year 2016	Fiscal Year 2017
Office space	$64,104	$10,684

8. RISK MANAGEMENT

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

There is no pending litigation or claims against the Board at June 30, 2015, which if asserted, in the opinion of the Board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

9. DEFERRED COMPENSATION PLAN

Employees of the Board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this plan are available in the Plan's separate audit report, which is available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

10. RESTATEMENT OF NET POSITION

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

Net Position at July 1, 2014	$1,000,955
GASB 68 Net Pension Liability	(1,178,353)
GASB 68 Beginning Deferred Outflows	112,013
Net Position at July 1, 2014, as restated	($65,385)

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule 1 presents the Board's Net Pension Liability.

Schedule of Board Contributions

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

Schedule of Funding Progress for the
Other Postemployment Benefits Plan

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

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA
Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2015

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

Fiscal Year*	Board's proportion of the net pension liability (asset)	Board's proportionate share of the net pension liability (asset)	Board's covered-employee payroll	Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System (LASERS)					
2015	0.017977%	$1,124,082	$326,527	344%	65%
Teachers' Retirement System of Louisiana (TRSL)					
2015	0.000865%	$88,415	$36,050	245%	63.7%

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

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

Schedule of Board Contributions — Schedule 2

Fiscal Year*	(a) Statutorily-Required Contribution	(b) Contributions in relation to the statutorily-required contribution	(a-b) Contribution Deficiency (Excess)	Board's covered-employee payroll	Contributions as a percentage of covered-employee payroll
Louisiana State Employees' Retirement System (LASERS)					
2015	$125,965	$125,965	NONE	$340,445	37.0%
Teachers' Retirement System of Louisiana (TRSL)					
2015	$10,498	$10,498	NONE	$37,492	28.0%

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

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

Notes to Schedules 1 and 2 (Required Supplementary Information)

Changes of Benefit Terms include:

A 1.5% COLA, effective July 1, 2014, provided by Act 102 for the LASERS and by Act 104 for the TRSL, of the 2014 Louisiana Regular Legislative Session, and,

Relative to the LASERS, improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections, as established by Act 852 of 2014.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2012	NONE	$824,900	$824,900	0.0%	$263,000	314%
July 1, 2013	NONE	$960,700	$960,700	0.0%	$314,500	305%
July 1, 2014	NONE	$1,041,100	$1,041,100	0.0%	$340,500	306%

Factors contributing to the increase in the Office of Group Benefits plan were:

1. Changes in retiree benefit plans for those retiring after March 31, 2015
2. Use of recently released/updated mortality tables (RP 2014)
3. Use of a different age-graded claim curve
4. Updates to the per capita health claim cost based on the state's most recent claims and enrollment experience
5. Changes in assumptions for retirements and terminations

SUPPLEMENTARY INFORMATION

Schedule of Per Diem Paid Board Members
For the Year Ending June 30, 2015

The Schedule of Per Diem Paid Board Members (Schedule 4) is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Officers of the board receive compensation of $150 per month, and other members receive $100 per month in accordance with Act 473 of 1999.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members
For the Year Ended June 30, 2015

Michael A. Tham, CPA - Chairman	$1,800
Michael D. Bergeron, CPA - Member	1,200
Michael B. Bruno, CPA - Treasurer (July 2014), Member (August 2014 - June 2015)	1,250
Letti Lowe-Ardoin, CPA - Member (July 2014), Secretary (August 2014 - June 2015)	1,750
Mark P. Harris, CPA - Member	1,200
Desiree W. Honore', CPA - Secretary (July 2014), Treasurer (August 2014 - June 2015)	1,800
Lynn V. Hutchinson, CPA - Member	1,200
Total	$10,200

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 12, 2016

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

Independent Auditor's Report

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the State Board of Certified Public Accountants of Louisiana (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 12, 2016. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and financial statement comparability.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies in the Board's internal control to be material weaknesses:

Inadequate Controls over Payroll and Leave

The Board did not adequately review time sheets before processing payroll and did not properly post or track employee leave balances. During our review of the Board's records, we noted the following:

- Employee payroll is processed before time sheets are due, which does not allow adequate time for management to review time entry and leave balances prior to payment.
- Employee records reflected negative leave balances. In three instances, employees had negative leave balances but the time sheets reflected additional leave approved and taken during the period.
- Employee leave records did not match time sheet postings for two employees over multiple pay periods.

By advancing leave and paying an employee for time not worked, the Board may have violated Article 7, Section 14 of the Louisiana Constitution.

These exceptions occurred because the Board's payroll practices did not incorporate good internal control over payroll. Further, the Board's practices were not documented in its written policies. Good internal control should include current written policies that address time sheet review and approval prior to payment and proper tracking of leave balances.

Management should update its written policies to require that (1) employee time sheets are reviewed and approved before payroll is processed; (2) the sufficiency of employee leave balances are verified before leave requests are granted, and (3) employee leave balances are timely updated to reflect leave earned and taken each time period. The Board should further reconcile its employee leave records to time sheets and leave accruals for the entire fiscal year ending June 30, 2015, to ensure that leave balances on that date are accurate. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Segregation of Duties over Cash Disbursements

Between January 1, 2015, and March 31, 2015, the Board did not have adequate segregation of duties over cash disbursements or corresponding written procedures.

Management represented that due to a shortage of staff during this time period, the executive director prepared checks, approved disbursements without a formal process requiring purchase orders and/or requisitions, signed checks under $2,500, input disbursements into the general ledger, and maintained control over bank statements. Management provided evidence that the bank reconciliations were performed by a separate individual; however, the bank reconciliations were not performed until April 2015 or reviewed until June 2015.

Adequate segregation of duties requires that critical accounting functions be performed by separate individuals, and written procedures should be in place to guide staff in their job duties. Without adequate segregation of duties and oversight, errors or fraud could occur and not be detected, increasing the risk of loss or theft of the Board's assets.

Management should ensure that critical accounting functions are adequately segregated. To partially mitigate the risk of error or fraud when staffing is limited, the Board treasurer or other designated Board member should review monthly bank statements and reconciliations to evaluate the reasonableness of disbursements made by the executive director. Management should also develop and implement written policies for purchases and disbursements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

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. We consider the following deficiencies in the Board's internal control to be significant deficiencies:

Noncompliance with the Louisiana Licensing Agency Budget Act

The Board did not comply with the requirements of Louisiana Revised Statute (R.S.) 39:1331-1342, known as the Louisiana Licensing Agency Budget Act (Act). The Act requires the Board to prepare and submit an annual comprehensive budget to include clearly-defined performance indicators to the Joint Legislative Committee on the Budget and other legislative committees and agencies no later than January 1st of each year. Without submission of a comprehensive budget to the designated authorities, those authorities cannot exercise budgetary control over the Board.

Management represented that it did not submit the annual comprehensive budget to the appropriate entities until notified by the auditors in August 2015 because of an oversight. In the future, the Board should submit its approved budgets as required by the Act. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

We did not include a significant deficiency in this report relating to the Board's information technology operations because of the sensitive nature of the deficiency. This matter has been separately communicated to management and those charged with governance. Management has represented that it is currently addressing this issue.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. As described previously, the results of our tests disclosed noncompliance relating to employee leave and the Louisiana Licensing Agency Budget Act that are required to be reported under *Government Auditing Standards*.

Board's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the 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 State Board of Certified Public Accountants of Louisiana's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under R.S. 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MET:DG:BDC:EFS:aa

CPA2015

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

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

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April 20, 2016

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Re: Inadequate Controls Over Payroll and Leave - FYE 06/30/15

Dear Mr. Purpera:

This is in response to the reportable audit finding of "Inadequate Controls Over Payroll and Leave" for the FYE 06/30/15. Management concurs with the individual findings noted as to payroll processed prior to receipt and review of timesheets, negative *annual* leave balances shown on employee records, and the time-worked calculations not agreeing to the timesheet postings for several pay periods.

It has been a long standing policy of our agency to process payroll for the 15th and 31st of each month, which has always been prior to the receipt and review of timesheets. Timesheets are due the day following the end of each pay period for management review. Our payroll policies reflect those that are generally appropriate for a relatively small agency. The agency has been pro-active in monitoring leave balances and there has not been an actual loss of dollars resulting from our payroll process. Over the recent years, those employees with very low leave balances were counseled.

Annual leave was approved during the year in question *under the misunderstanding* that sick leave balances could be used as an offset in the event annual leave was not available. To that end, the two employees found with negative annual leave balances of .03 and .73 hours, and 4.48 hours, respectively, had more than enough sick leave to cover the overage. Additionally, leave was often approved after the fact due to unavoidable time off (e.g. child's illness, daycare issues, etc.) It is now known that Civil Service rules do not provide for *sick leave* to be used to cover negative *annual leave* balances, although it works the other way around.

Management acknowledges the audit findings, and is considering steps to help ensure adequate controls are in place to maintain 100% error free payroll and leave records. Changes include moving to a bi-weekly pay period, which will necessitate additional accounting procedures, but provide for timely review of timesheets and leave balances in advance of a pay date. Also under consideration is the use of a timeclock to perform the tedious but necessary calculations of every employee's work day time calculations to ensure that the actual time documented as worked agrees to the timesheet hours reported.

As suggested, timesheets for employees still on staff will be audited for the entire fiscal year ended June 30, 2015, and necessary adjustments to leave balances will be made prospectively. An initial review in order to respond to this matter found small calculation errors in worked time reported which varied from

.25 – 2 hours in either direction, so it does not appear that it will result in significant adjustments to any employee's leave balance.

The agency's Executive Director, Darla M. Saux, CPA, is the contact person responsible for implementing corrective action. Management is already reviewing its policies regarding leave, timesheets, and payroll processes, and will update its dated policies within the next few months. We are committed to successfully resolving this after consideration of "best practices" for small agencies in state government.

Thank you for your suggestions and comments.

Sincerely,

STATE BOARD OF CPAs OF LOUISIANA

Darla M. Saux, CPA
Executive Director

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RE: Inadequate Segregation of Duties over Cash Disbursements - FYE 06/30/15

Dear Mr. Purpera:

This is in response to the reportable audit finding of "Inadequate Segregation of Duties over Cash Disbursements" for the FYE 06/30/15. Management concurs with the finding that segregation of duties are important and accounting functions should be performed by separate individuals.

As noted, between January 1, 2015 and March 31, 2015 there was a shortage of staff during a peak time for the Board. As such, the highest level employee in the office, who is both the Executive Director and a Certified Public Accountant, performed many of the duties of the vacant Accounting Technician position including input of disbursements into the general ledger while also approving disbursements, preparation of checks, and then signing checks under $2,500 as part of the Executive Director's duties. Additionally, informal bank reconciliations were performed by the Executive Director to insure adequate funding for the disbursements, and final bank reconciliations were not reviewed until a few months later when time and staff permitted.

The Executive Director was in the best position for the short term to immediately perform those necessary accounting tasks based on experience and training, and served to decrease the possibility of misappropriation due to error or fraud.

The agency's Executive Director, Darla M. Saux, CPA, is the contact person responsible for implementing corrective action. Management is already reviewing its internal policies, and will update its written procedures and policies in the next few months. We appreciate LLA's suggestion to designate the Board treasurer or other Board members to assist when staffing is limited.

Sincerely,

Darla M. Saux, CPA
Executive Director

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RE: Noncompliance with the Louisiana Licensing Agency Budget Act - FYE 06/30/15

Dear Mr. Purpera:

This is in response to the reportable audit finding of "Noncompliance with the Louisiana Licensing Agency Budget Act" for the FYE 06/30/15. Management concurs with the finding that the comprehensive budget was not submitted timely to all entities as required.

The Board's budget in question was prepared by the Executive Director, and reviewed and approved by the Board at its January 2014 meeting as verified by Board minutes.

The annual budget for the fiscal year in question was submitted electronically via input on the Division's Boards and Commissions Website, as requested by the Division of Administration, with the understanding that doing so fulfilled the annual filing requirements for the Legislature and the Legislative Auditor. Additional submission of the annual budget to the Joint Legislative Committee on the Budget was not done as it was mistakenly thought by new board staff that the requirement was completed as part of the electronic submission. When contacted, staff with the Joint Legislative Committee's office advised a photocopy of the electronic submission of our budget would suffice and should be physically submitted via mail, which was done.

Failure to submit the approved budget as required to all entities in the manner required was not willful and should not occur again.

Sincerely,

Darla M. Saux, CPA
Executive Director