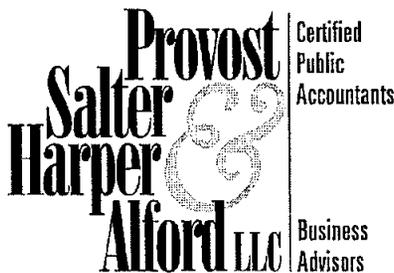


**LOUISIANA STATE LICENSING
BOARD FOR CONTRACTORS
GOVERNOR'S OFFICE
STATE OF LOUISIANA**

FINANCIAL REPORT

December 31, 2018



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

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Certified
Public
Accountants

Business
Advisors

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, 2018, 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.

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, 2018, 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.

Emphasis of Matter

As disclosed in Note 14 to the financial statements, in 2018, the entity adopted new accounting guidance under GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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 changes in net OBEP liability and related ratios, the schedule of employer's proportionate share of the net pension liability, and the schedule of employer's pension contributions, 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, 2019 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



April 19, 2019
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, 2018. 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 \$627,730 or 16.3%.

The operating revenues of the Board increased \$165,920 or 2.8%.

The non-operating revenues of the Board increased \$25,817 or 87.9%.

The operating expenses of the Board decreased \$2,637,340 or 32.0%.

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*.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

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.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

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

	Current Year as of and for the year ended December 31, 2018	Prior Year as of and for the year ended December 31, 2017 Restated
Current assets	\$ 8,066,095	\$ 10,103,225
Capital assets	9,676,485	5,821,876
Total assets	<u>17,742,580</u>	<u>15,925,101</u>
Deferred outflows	<u>754,355</u>	<u>1,053,721</u>
Current liabilities	5,549,844	4,357,403
Noncurrent liabilities	<u>15,497,401</u>	<u>16,315,929</u>
Total liabilities	<u>21,047,245</u>	<u>20,673,332</u>
Deferred inflows	<u>677,757</u>	<u>161,288</u>
Net investment in capital assets	9,676,485	5,821,876
Unrestricted	<u>(12,904,552)</u>	<u>(9,677,674)</u>
Total net position	<u>\$ (3,228,067)</u>	<u>\$ (3,855,797)</u>
Operating revenues	\$ 6,183,714	\$ 6,017,794
Operating expenses	<u>5,611,172</u>	<u>8,248,512</u>
Operating income (loss)	572,542	(2,230,718)
Non-operating revenues	<u>55,188</u>	<u>29,371</u>
Change in net position	<u>\$ 627,730</u>	<u>\$ (2,201,347)</u>

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets as of December 31, 2018, amounts to \$9,676,485 (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 66.2%.

The Construction in Progress amount below consists of building, architectural, legal, and engineering fees in the construction of a new building in downtown Baton Rouge.

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

	2018	2017
Land and improvements	\$ 2,797,340	\$ 2,799,553
Buildings and operating facilities	2,049,417	2,137,090
Office, furniture and equipment	56,468	54,283
Construction in Progress	4,773,260	830,950
	<u>\$ 9,676,485</u>	<u>\$ 5,821,876</u>

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.

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana**

Management's Discussion and Analysis

For the year ended December 31, 2018, actual revenue was 104.9% of budgeted amounts.

For the year ended December 31, 2018, total expenditures were 92.6% of budgeted amounts.

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

The Board adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The adoption of GASB 75 required substantial changes to the financial statements of the Board. The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees, both active and inactive employees, are provided with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB). One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB obligations and the resources, if any, available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities.

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. As a top priority of this office, LSLBC will continue working towards efficiencies and simplification for contractor licensing and customer service.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

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 28-month recession that cost Louisiana more than 23,000 jobs.

The state's economy began to grow again in 2018. The forecast for 2019-20 is undergirded by the assumptions that (1) the national economy will expand at a healthy rate (though threats from tariffs and International Maritime Organization 2020 are unsettling), (2) inflation and interest rates will rise a bit but remain unthreatening, (3) oil prices will rise gradually from \$65 per barrel this year to \$80 in 2020, and (4) natural gas prices will decline slightly and continue to fuel a remarkable industrial boom in Louisiana. That industrial boom and a revived oil and gas industry should produce a nice recovery from the recession, with 2020 being particularly strong for the state. In total, the State is projected to add 23,400 jobs in 2019 (up 1.2%) and another 36,100 jobs in 2020 (up 1.8%).

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 4.39% over last year. The proposed budget reflects decreases from the 2018 actual revenues to adapt to our ever-changing economy.

Expenditures in salaries have increased 5.61% due to performance pay increases. 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 \$75,000, retirement by \$50,000, and credit card processing fees by \$8,000. 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. to be completed by mid-2019.

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.

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana**

Management's Discussion and Analysis

The information for the economic discussion is from The Louisiana Economic Outlook: 2019 and 2020, by Loren C. Scott and Judy S. Collins, presented in September, 2018.

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.

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

Statement of Net Position

December 31, 2018

ASSETS**Current Assets**

Cash and cash equivalents	\$ 4,728,470
Investments	3,266,975
Other current assets	70,650
	<u>8,066,095</u>

Noncurrent Assets

Property and equipment, net of accumulated depreciation of \$1,925,408	9,676,485
	<u>9,676,485</u>

Total Assets

	<u>17,742,580</u>
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Deferred Outflows of Resources

	<u>754,355</u>
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LIABILITIES**Current Liabilities**

Accounts payable	1,449,104
Refunds payable	13,089
Due to Contractor's Educational Trust Fund	245,598
Unearned revenues	3,750,348
Current portion of long-term liabilities:	
Compensated absences payable	91,705
	<u>5,549,844</u>

Total current liabilities

	<u>5,549,844</u>
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Noncurrent Liabilities

Noncurrent compensated absences	196,943
Other postemployment benefits	7,018,202
Net pension liability	8,282,256
	<u>15,497,401</u>

Total noncurrent liabilities

	<u>15,497,401</u>
--	-------------------

Total Liabilities

	<u>21,047,245</u>
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Deferred Inflows of Resources

	<u>677,757</u>
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Total Liabilities and deferred inflow of resources

	<u>21,725,002</u>
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NET POSITION (DEFICIT)

Net investment in capital assets	9,676,485
Unrestricted	(12,904,552)
	<u>(3,228,067)</u>

Total net position (deficit)

	<u>\$ (3,228,067)</u>
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**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, 2018

Operating Revenues	
Licenses, permits and fees	\$ 6,183,714
Operating Expenses	
Personal services	4,032,912
Enforcement mileage reimbursement	106,341
Travel	56,916
Operating services	914,749
Supplies	256,211
Professional services	138,402
Depreciation	105,641
Total operating expenses	<u>5,611,172</u>
Operating Income	<u>572,542</u>
Non-Operating Revenues	
Investment income	48,724
Gain on disposal of assets	6,464
Total non-operating expenses	<u>55,188</u>
Change in Net Position	627,730
Total Net Position, Beginning, as restated	<u>(3,855,797)</u>
Total Net Position, Ending	<u>\$ (3,228,067)</u>

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

Statement C

Statement of Cash Flows

Year Ended December 31, 2018

Cash Flows From Operating Activities:

Cash received from licensees and applicants	\$ 6,691,202
Cash received on behalf of others	245,598
Cash paid for agency liabilities	(221,651)
Cash paid to employees for services	(4,025,433)
Cash paid to suppliers for goods and services	(814,716)

Net Cash Provided By (Used In) Operating Activities 1,875,000

Cash Flows From Capital and Related Financing Activities

Purchase of capital assets	<u>(3,960,250)</u>
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Cash Flows From Investing Activities

Purchase of investments	(997,030)
Maturities/redemption of investments	1,293,217
Interest received on investments	48,724

Net Cash Provided By (Used In) Investing Activities 344,911

Net Increase (Decrease) In Cash And Cash Equivalents (1,740,339)

Cash and Cash Equivalents

Beginning of year	<u>6,468,809</u>
End of year	<u>\$ 4,728,470</u>

**Reconciliation of Operating Income to Net Cash Provided
By Operating Activities:**

Operating income (loss)	\$ 572,542
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	105,641
(Increase) decrease in assets:	
Other current assets	7,068
Increase (decrease) in liabilities:	
Compensated absences payable	25,029
Refunds payable	4,465
Accounts payable	661,005
Unearned revenue	503,023
Due to Contractor's Educational Trust Fund	23,947
Pension Expense	(27,720)

Net Cash Provided By (Used In) Operating Activities \$ 1,875,000

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

Notes to the Financial Statements

December 31, 2018

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, 2018, there were approximately 24,486 licensed contractors in the state. The Board has 47 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

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

Notes to Financial Statements, Continued

December 31, 2018

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.

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

Notes to Financial Statements, Continued

December 31, 2018

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, 2018, was adopted by the Board on November 15, 2017, 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, 2018, the Board has \$4,728,019 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$4,522,259 of pledged securities.

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

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

Notes to Financial Statements, Continued

December 31, 2018

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, 2018 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

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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.

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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, 2019, which is the date the financial statements were available to be issued.

Adoption of New Accounting Principles. The Board adopted the following recently issued GASB Standards in the preparation of the Annual Financial Report:

The Board adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The adoption of GASB 75 required significant changes to the financial statements of the Board. The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees-both active employees and inactive employees are provided with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB). One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB obligations and the resources, if any, available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities.

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2. Deficit Net Position

The single proprietary (enterprise) fund had a deficit in unrestricted net position at December 31, 2018 of (\$3,228,067). The deficit was caused by the adoption of GASB 68 and GASB 75 which caused the Board to record its proportionate share of pension liability from the LASERS system and its proportionate share of other postemployment benefits. This deficit will be eliminated by increasing revenues and/or reducing expenditures.

3. Deposits and Investments

Deposits. At December 31, 2018, the Board has deposits totaling \$4,728,470 (book balances) as follows:

Petty cash	\$ 400
Demand deposits	4,728,070
Total	\$ 4,728,470

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, 2018:

	Rating	Maturity Dates	
Louisiana Asset Management Pool	AAAm	N/A	\$ 2,767,914
U.S. Treasury Notes	Aaa	1/2019-2/2019	499,061
Total			\$ 3,266,975

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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, \$3,266,975 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, 2018 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

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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 76 days (from LAMP's monthly portfolio holdings) as of December 31, 2018. 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, 2018 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	\$ 2,836,169	\$ -	\$ -	\$ 2,836,169
Buildings and operating facilities	3,379,221	-	-	3,379,221
Office, furniture and equipment	549,747	17,940	-	567,687
Vehicles	45,556	-	-	45,556
Construction in Progress	830,950	3,942,310	-	4,773,260
	7,641,643	3,960,250	-	11,601,893
Less accumulated depreciation	1,819,767	105,641	-	1,925,408
	<u>\$ 5,821,876</u>	<u>\$ 3,854,609</u>	<u>\$ -</u>	<u>\$ 9,676,485</u>

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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

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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.

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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.

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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.

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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, 2018 are as follows:

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
January 1 - June 30, 2018			
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%
July 1 - December 31, 2018			
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%

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The Board's contractually required composite contribution rates for the year ended December 31, 2018 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 \$891,348 for the year ended December 31, 2018.

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

At December 31, 2018, the Employer reported a liability of \$8,282,256 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018, the Board's proportion was .12144%, which was a decrease of .00344% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Board recognized pension expense of \$676,151 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions \$82,278.

At December 31, 2018, 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	\$ -	\$ (92,877)
Changes of assumptions	84,279	-
Net difference between projected and actual earnings on pension plan investments	107,393	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	(190,286)
Board contributions subsequent to the measurement date	454,788	-
Total	<u>\$ 646,460</u>	<u>\$ (283,163)</u>

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\$454,788 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, 2019. 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:	<u>LASERS</u>
2019	\$ 139,549
2020	1,676
2021	(202,405)
2022	(30,312)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.65% 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.

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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:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
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 8.05%, recognizing an additional 40 basis points for gain-sharing. The net return available to fund regular plan benefits is 7.83%, which is reasonably close to the 7.65% discount rate. Therefore we conclude that the 7.65% discount is reasonable.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83% for 2018. 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Expected Long-Term Real Rates of Return
Cash	0%	-0.48%
Domestic equity	23%	4.31%
International equity	32%	5.26%
Domestic Fixed Income	6%	1.49%
International Fixed Income	3%	2.23%
Alternative Investments	29%	7.67%
Global Tactical Asset Allocation	7%	4.96%
Total Fund	100%	5.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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.

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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 7.65%, 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 (6.65%) or one percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Board's proportionate share of the net pension liability	\$ 10,452,757	\$ 8,282,256	\$ 6,412,920

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2018 Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

Included in accrued expense liabilities is \$14,224 payable to the System which was remitted subsequent to December 31, 2018.

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.

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Notes to Financial Statements, Continued

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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.

Employees Covered by Benefit Terms. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	36
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	39
Total	<u>75</u>

Total OPEB Liability

The Board’s total OPEB liability of \$7,018,202 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Notes to Financial Statements, Continued

December 31, 2018

Actuarial Assumptions and other inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.80%
Salary increases	Consistent with the pension valuation assumptions
Prior discount rate	3.80%
Discount rate	3.13% - Based on the average of the June 30, 2017 S&P 20-year bond index rate
Healthcare cost trend rates	Post-Medicare: 5.5% for 2018 - 2020, thereafter decreasing 0.25% per year through 2024, to an ultimate rate of 4.5% for 2024 and later years. Pre-Medicare: 7% grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029
Retiree's share of benefit-related costs	Expected per capita costs based on medical and prescription drug claims for retired participants for the period January 1, 2016 through December 31, 2017. Claims experience was trended to the valuation date.
Actuarial cost method	Entry Age Normal, level percentage of pay
Estimated Remaining Service Lives	4.48

For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 was used. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 was used.

The actuarial assumptions used by the pension plan covering the same participants were used for the retirement, termination, disability, and salary scale assumptions.

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

Notes to Financial Statements, Continued

December 31, 2018

Changes in Total OPEB Liability

Balance at December 31, 2017	\$ 7,353,924
Changes for the year	
Service cost	198,457
Interest	201,278
Differences between expected and actual experience	-
Changes in assumptions	(483,466)
Benefit payments and net transfers	(251,991)
Net changes	(335,722)
Balance at December 31, 2018	\$ 7,018,202

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

	1.0% Decrease (2.13%)	Current Discount Rate (3.13%)	1.0% Increase (4.13%)
Total OPEB Liability	\$ 8,254,815	\$ 7,018,202	\$ 6,039,608

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current healthcare trend rates:

	1.0% Decrease (6.0%)	Current Trend (7.0%)	1.0% Increase (8.0%)
Total OPEB Liability	\$ 6,018,555	\$ 7,018,202	\$ 8,300,855

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

Notes to Financial Statements, Continued

December 31, 2018

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended December 31, 2018, the Board recognized OPEB expense of \$310,863. At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	394,594
Board contributions subsequent to measurement date	107,895	-
Total	<u>\$ 107,895</u>	<u>\$ 394,594</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (88,872)
2020	(88,872)
2021	(88,872)
2022	(88,872)
2023	(39,104)
Thereafter	-

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

Notes to Financial Statements, Continued

December 31, 2018

The contribution requirements of plan members and the Board are established and 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.

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.

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

Notes to Financial Statements, Continued

December 31, 2018

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 \$3,750,348 as reflected on Statement A, represents payments received from applicants for licenses for periods subsequent to December 31, 2018.

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, 2018:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
Compensated absences payable	\$ 253,449	\$ 194,600	\$ (159,401)	\$ 288,648	\$ 91,705
Net pension liability	8,790,091	1,062,673	(1,570,508)	8,282,256	-
OPEB payable	7,353,924	-	(335,722)	7,018,202	-
Total long-term liabilities	<u>\$ 16,397,464</u>	<u>\$ 1,257,273</u>	<u>\$ (2,065,631)</u>	<u>\$ 15,589,106</u>	<u>\$ 91,705</u>

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.

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

Notes to Financial Statements, Continued

December 31, 2018

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 2018, the Board issued fines of \$2,145,880 with receipts for current and previous year's fines of \$245,598. 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

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

Notes to Financial Statements, Continued

December 31, 2018

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, 2018, included in cash and cash equivalents was \$840,274 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, 2018 were \$13,089.

13. Lease Commitments

The Board has commitments with non-state entities to lease certain equipment. The lease agreements are for one year and end in June and July 2019. Future minimum rental commitments for equipment operating leases as of December 31, 2018 are as follows:

Years Ending December 31,	
2019	\$ 9,997

The total rental expense under the operating leases equaled \$40,436 at December 31, 2018.

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

Notes to Financial Statements, Continued

December 31, 2018

14. Change in Accounting Principle

Net position as of December 31, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Net position at December 31, 2017, as originally stated	\$ (1,094,511)
Change in OPEB liability upon adoption of GASB 75	<u>(2,761,286)</u>
Net position at December 31, 2017, as restated	<u>\$ (3,855,797)</u>

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

Statement of Revenues, Expenditures and

Year Ended December 31, 2018

Changes in Net Position

Budget (Legal Basis) and Actual - Enterprise Fund

	Budgeted Amounts		Actual Amounts GAAP Basis	Nonbudgeted Items and Adjustments	Actual (Budgetary Basis)	Budget to GAAP Differences Favorable (Unfavorable)
	Original	Final				
Revenues						
Licenses, permits and fees	\$ 5,932,000	\$ 5,932,000	\$ 6,183,714	\$ -	\$ 6,183,714	\$ 251,714
Investment income	18,000	18,000	48,724	-	48,724	30,724
Gain on disposal of assets	-	-	6,464	-	6,464	6,464
Total revenues	<u>5,950,000</u>	<u>5,950,000</u>	<u>6,238,902</u>	<u>-</u>	<u>6,238,902</u>	<u>288,902</u>
Expenditures						
Personal services	4,401,450	4,108,450	4,032,912	(7,477) (1),(3)&(4)	4,025,435	83,015
Travel	183,000	183,000	163,257		163,257	19,743
Operating services	885,500	983,500	914,749		914,749	68,751
Supplies	97,000	267,000	256,211		256,211	10,789
Professional services	260,000	150,000	138,402		138,402	11,598
Capital outlay	4,520,000	4,520,000	-	3,960,250 (2)	3,960,250	559,750
Depreciation	-	-	105,641	(105,641) (2)	-	-
Total expenditures	<u>10,346,950</u>	<u>10,211,950</u>	<u>5,611,172</u>	<u>3,847,132</u>	<u>9,458,304</u>	<u>753,646</u>
Excess of revenue over (under) expenditures and other sources	<u>\$ (4,396,950)</u>	<u>\$ (4,261,950)</u>	<u>627,730</u>	<u>(3,847,132)</u>	<u>(3,219,402)</u>	<u>\$ 1,042,548</u>
Total net position						
Beginning, as restated			(3,855,797)	8,910,510 (5)	5,054,713	
Ending			<u>\$ (3,228,067)</u>	<u>\$ 5,063,378</u>	<u>\$ 1,835,311</u>	

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 \$35,199.

(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 75 requires recording an expense for the annual OPEB cost of \$81,852.

(4) GASB 68 requires recording a reduction in expense for the annual Pension cost of \$109,574.

(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 Changes in Net OPEB Liability and Related Ratios

Year Ended December 31, 2018

Total OPEB Liability	
Service cost	\$ 198,457
Interest	201,278
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(483,466)
Benefit payments	<u>(251,991)</u>
Net Change in total OPEB liability	(335,722)
Total OPEB liability - beginning	<u>7,353,924</u>
Total OPEB liability - ending	<u>\$ 7,018,202</u>
Covered-employee payroll	2,276,675
Net OPEB liability as a percentage of covered-employee payroll	308.27%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended December 31, 2018.

Changes of Assumptions. The discount rate of 3.8% as of June 30, 2017 was changed to 3.13% as of June 30, 2018.

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

Schedule 3

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

Year Ended December 31, 2018

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
<u>LASERS:</u>					
2018	0.1214%	\$8,282,256	\$2,276,674	363.79%	62.60%
2017	0.1249%	\$8,790,091	\$2,390,523	367.71%	62.50%
2016	0.1249%	\$9,809,722	\$2,308,365	424.96%	65.00%
2015	0.1167%	\$7,940,354	\$2,234,493	355.35%	65.02%
2014	0.1202%	\$7,514,350	\$2,208,470	340.25%	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 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, 2018

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<u>LASERS:</u>					
2018	\$891,348	\$891,348	\$ -	\$2,351,843	37.90%
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%

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

*Notes to the Required Supplementary Schedules
Schedule of Employer's Proportionate Share of the
Net Pension Liability and Schedule of Employer's
Pension Contributions*

Year Ended December 31, 2018

LASERS

Changes of Benefit Terms include:

There were no changes of benefit terms or assumptions for the year ended December 31, 2018.

Changes of Assumptions

There were changes in assumptions related to inflation, salary increases, discount rate, mortality and disability rates and other actuarial assumptions, however none of those changes affected benefit terms or assumptions for the year ended December 31, 2018.

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

Schedule of Per Diem Paid Board Members

Year Ended December 31, 2018

	Days	Amount
State Licensing Board for Contractors		
Lloyd Badeaux	9	\$ 675
Noah Broussard, Jr.	10	750
William Clouatre	10	750
Nelson Dupuy, Jr.	10	750
Courtney Fenet, Jr.	9	675
August Gallo, Jr.	9	675
Danny Graham	7	525
Jaclyn Hotard	9	675
Kenneth Jones	11	825
Donald Lambert	11	825
Chester Lee Mallett	9	675
Garland Meredith	11	825
Christopher Stuart	5	375
Byront Talbot	10	750
Elliot Temple	7	525
Victor Weston	8	600
Residential Building Contractors Subcommittee		
Lloyd Badeaux	10	750
William Clouatre	2	150
James Fine	8	600
Jody Guidry	7	525
Robert Hamilton	9	675
Frank Morse, Jr.	8	600
Elliott Temple	3	225
Wesley Wyman, Jr.	9	675
		\$ 15,075

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.

**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, 2018****Agency Head Name: Michael B. McDuff**

Purpose		
Salary	\$	165,899
Benefits-insurance		11,681
Benefits-retirement		63,217
Deferred compensation		12,250
Cell phone		900
Dues		475
Reimbursements		1,178
Travel		1,603
Registration fees		495
Conference travel		2,295
		<hr/>
	\$	<u>259,992</u>

**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, 2018, 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, 2019.

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.

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



April 19, 2019
Baton Rouge, Louisiana

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

Schedule of Compliance Findings and Recommendations

December 31, 2018

Internal control over financial reporting.

No matters were reported.

Noncompliance or other matters material to the financial statements.

No matters were reported.

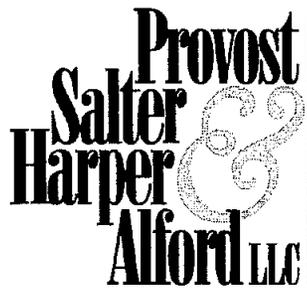
Management letter.

No Management letter issued.

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

Louisiana State Licensing Board for Contractors

September 30, 2018



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075



Certified
Public
Accountants

Business
Advisors

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board and Management of Louisiana State Licensing Board for Contractors and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by 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 fiscal period October 1, 2017 through September 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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:

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions

September 30, 2018

Written Policies and Procedures

Procedure 1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- 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 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- 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.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

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

Findings:

No exceptions noted.

Board

Procedure 2: Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Bank Reconciliations

Procedure 3: Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged)

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged)

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Collections

Procedure 4: Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 5: For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 6: Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 7: Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- e) Trace the actual deposit per the bank statement to the general ledger.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Procedure 8: Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

We obtained a listing of locations that process payments for the fiscal period.

Procedure 9: For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Findings:

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Findings:

No exceptions noted.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Findings:

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings:

No exceptions noted.

Procedure 10: For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Findings:

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings:

No exceptions noted.

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

Procedure 11: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Procedure 12: Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 13: Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Travel and Expense Reimbursement

Procedure 14: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Contracts

Procedure 15: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Payroll and Personnel

Procedure 16: Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Findings:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

Procedure 17: Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Findings:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Findings:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

Procedure 18: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Findings:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

Procedure 19: Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings:

The LSLBC had exceptions in the previous year based strictly on the wording of the procedure. We believe the LSLBC has compensating controls that fully mitigate the underlying control risk.

Ethics

Procedure 20: Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Findings:

One employee did not complete ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings:

No exceptions noted.

Debt Service

Procedure 21: Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 22: Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Other

Procedure 23: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Louisiana Licensing Board for Contractors

Summary of Findings and Exceptions, Continued

September 30, 2018

Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 24: Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

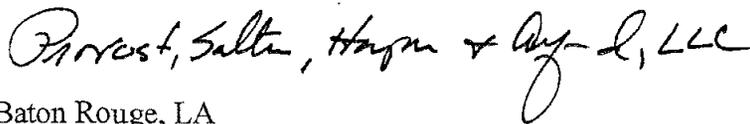
Findings:

The Licensing Board did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

We were not engaged to perform, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. 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.

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

PROVOST, SALTER, HARPER & ALFORD, LLC



Baton Rouge, LA
April 19, 2019