LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA

Financial Report
As of and for the Year Ended
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Louisiana Used Motor Vehicle Commission
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Louisiana Used Motor Vehicle Commission (the Commission), a related organization of the State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisiana Used Motor Vehicle Commission as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-9, budgetary comparison information on page 35 and schedule of employer's share of net pension liability o pages 36-37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Per Diem Paid to Commission Members and Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer on pages 39-40 are presented for purposes of additional analysis and are not part of the basic financial statements. This supplemental information is the responsibility of management and was derived from is related 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 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* I have also issued my report dated October 11, 2017, on my consideration of the Louisiana Used Motor Vehicle Commission's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Used Motor Vehicle Commission's internal control over financial reporting and compliance.

John L. McKowen, CPA

John L. McKowen, CPA

Baton Rouge, Louisiana
October 11, 2017

REQUIRED SUPPLEMENTARY INFORMATION
(PART 1 OF 2)

The purpose of this section is to offer a narrative overview and analysis of the Louisiana Used Motor Vehicle Commission's (hereafter referred to as the Commission) financial performance - past and present - and its future prospects. It focuses, however, on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the financial report taken as a whole.

Overview of the Commission

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana created within the Office of the Governor as provided by LA RS 32:772 and governed by LA RS 32: 783. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories, and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Operations of the Commission are funded by self-generated funds which are primarily license fees.

Ten Commissioners, who are appointed by the Governor, provide guidance to this Commission. Commissioners are authorized by 32:772(c) to receive a per diem of $75 for each meeting day and are reimbursed for travel and related expenses while performing commission business. The Commission holds at least 12 meetings per year. During meetings, the Commissioners review and approve financial statements consisting of the balance sheet, revenue and expenditure statement (which includes month-to-date, year-to-date, and budgeted figures), the certificate of deposit summary, and accounts receivable-hearings reports.

The Commission had 13 employees during the audited year, other than the Commissioners. The Annual Financial Report is obtained on a contract basis and the Commission accounting staff assists in its preparation. The Commission has one checking account and seven certificates of deposit. Two signatures are required on each check and the authorized signatures are that of the Executive Director, the Administrative Assistant 5, and the Accountant Supervisor. The Administrative Coordinator 3 prepares the accounts payable checks. The Accountant Supervisor prepares the payroll. Bank statements are reconciled by the Accountant Supervisor and approved by the Executive Director.

Overview of the Financial Statement Presentation

These financial statements are comprised of these components – (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplemental information. There is also other supplemental schedules and information contained in this report provided for additional information.

Basic Financial Statements. The basic financial statements present information for the Commission as a whole. Statements in this section include the following:

Statement of Net Position. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Louisiana Used Motor Vehicle Commission is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the Commission's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The basic financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The index of the notes is found on page 16 with the actual notes beginning immediately afterwards.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that is deemed useful to readers of this report.

Financial Analysis of the Commission

Net position is an indicator of the Commission's financial position from year to year. A summary of net position follows.

SUMMARY OF NET POSITION

	2017	2016 (As restated)
Assets		
Current assets	$ 2,990,021	$ 2,515,969
Non-current assets	159,049	170,658
Total Assets	3,149,070	2,722,627
Deferred Outflows of Resources	438,434	331,374
Liabilities		
Current liabilities	425,896	334,453
Non-current liabilities	2,891,351	2,632,906
Total Liabilities	3,317,247	4,141,153
Deferred Inflows of Resources	51,913	26,161
Net position		
Invested in capital assets, net of related debt	159,049	170,658
Unrestricted	59,295	(110,177)
Total Net Position	218,344	60,481

Between June 30, 2016 and June 30, 2017, the net position of the Commission increased by $157,863.

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION

	2017	2016 (As restated)
Operating Revenues	$ 1,467,140	$ 1,409,792
Operating Expenses	(1,330,346)	(1,284,378)
Operating Income (Loss)	136,794	125,414
Non-operating Revenues (Expenses)	21,069	13,738
Change in Net position	157,863	139,152

Revenues increased by $57,348 or 4%. Expenses increased by $45,968 or 4% of those in the prior year.

Cash flow activity of the Commission for the past two years is as follows:

STATEMENT OF CASH FLOWS

	2017	2016
Cash and cash equivalents provided by (used for):		
Operating activities	$ 456,764	$ 223,907
Non-capital financing activities	-	-
Capital and related financing activities	(14,410)	(41,210)
Investing activities	21,794	13,821
Net Increase in Cash and Cash Equivalents	464,148	196,518
Cash and cash equivalents, beginning of year	1,952,133	1,755,615
Cash and cash equivalents, end of year	2,416,281	1,952,133

Budgetary Highlights

Revenues were greater than anticipated by $719 or 0%. Expenses were less than budgeted $140,667 or 10%. This resulted in an overall positive change in net position of $141,386 more than budgeted.

Capital Asset and Debt Administration

Capital Assets: The Commission's investment in capital assets, net of accumulated depreciation, at June 30, 2017 and 2016, was $159,049 and $170,658, respectively. The most significant capital asset is the Commission's building at a total cost of $255,488 including land.

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS
Net of Accumulated Depreciation

	2017	2016
Non-depreciable Assets		
Land	$ 50,000	$ 50,000
Depreciable Assets		
Buildings	62,761	67,991
Parking lot	6,900	7,475
Website	-0-	490
Autos and equipment	39,388	44,702
Total	159,049	170,658

Capital acquisitions during the year included equipment costing a total of $14,410. Several items of equipment, which were no longer being utilized were retired as surplus during the year.

Debt Administration: Long-term debt of the Commission includes compensated absences at amounts of $44,249 and $42,005 at June 30, 2017 and 2016, respectively. There is also an actuarially determined obligation for post-employment benefits of $797,193 at June 30, 2017, up from $766,318 at June 30, 2016, and net pension liability of $2,049,909, up from $1,824,583 at June 30, 2016.

Future Plans and Next Year's Budget

Licensees in Districts 4 and 5 of the State of Louisiana renewed their two-year license for 2016-2017 during this fiscal period. Those in Districts 1, 2 and 3 were in the second year of their two-year license. All salesperson licenses in all districts will continue to renew annually.

The Commission continues to improve procedures throughout the state to further the enforcement of its laws and regulations and the protection of consumer rights. The Commission has already expanded its Compliance Investigation staff in order to provide more complete coverage of the entire state and will continue to provide timely and effectual assistance to all consumers in Louisiana.

During this fiscal year, the Accounting Department of this Commission implemented several in-depth process changes to further secure internal controls of its purchasing procedures and to obtain improved automated services from the Commission's fiscal agent. The Department will continue to constantly seek improvements in its processes in the future, including the development of accounting policies and the training and growth of its staff. This will provide improved support to licensees, the public, and the Commission staff.

During the coming fiscal year, the Commission's budget will include expenditures to maintain good stewardship of its property, buildings, equipment and vehicles. Online and automated processes will continue to be offered to licensees in order to efficiently and effectively provide licensing services and accurately oversee revenue.

The Louisiana Used Motor Vehicle Commission looks forward to continued growth and improvement to further serve its licensees and protect the public.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances, comply with finance-related laws and regulations and demonstrate the Commission's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting Mr. Derek Parnell at 3132 Valley Creek Drive, Baton Rouge, Louisiana 70808, 225-925-3874.

BASIC FINANCIAL STATEMENTS

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017

		Business-type Activities
ASSETS		
Current Assets		
Cash and cash equivalents		$ 2,416,281
Investments		498,171
Accounts receivable, net of allowance of $53,400		72,098
Prepaid expenses		3,471
	Total Current Assets	2,990,021
Non-Current Assets		
Land		50,000
Building/parking lot		205,488
Auto and equipment		163,067
Website		2,450
Accumulated depreciation		(261,956)
	Total Non-Current Assets	159,049
	Total Assets	$ 3,149,070
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		438,434
LIABILITIES		
Current Liabilities		
Accounts payable		51,177
Payroll taxes withheld and related payables		32,574
Accrued salaries payable		35,815
Fines held pending appeal		2,425
Unearned revenue		303,905
	Total Current Liabilities	425,896
Non-Current Liabilities		
Compensated absences payable		44,249
Other post-employment benefits plan payable		797,193
Net pension liability		2,049,909
	Total Non-Current Liabilities	2,891,351
	Total Liabilities	$ 3,317,247
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		51,913
NET POSITION		
Invested in capital assets, net of related debt		159,049
Unrestricted		59,295
	Total Net Position	$ 218,344

The accompanying notes are an integral part of these statements.

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2017

		Business-type Activities
OPERATING REVENUES		
Licenses and other fees	$	796,216
Auction fees		559,175
Hearing costs and fines		83,274
Mailing lists/labels/other revenue		28,475
Total Operating Revenues		1,467,140
OPERATING EXPENSES		
Salaries and related benefits		1,028,897
Meetings, conferences and travel		17,240
Professional services		90,971
Maintenance and repairs		24,422
General and administrative		143,697
Depreciation		25,119
Total Operating Expenses		1,330,346
Operating Income		136,794
NON-OPERATING REVENUES (EXPENSES)		
Interest income		21,969
Gain on disposal of equipment		(900)
Total Non-Operating Revenues (Expenses)		21,069
Change in Net Position		157,863
Total Net Position, beginning of year as restated		60,481
Total Net Position, ending	$	218,344

The accompanying notes are an integral part of these statements.

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR END JUNE 30, 2017

	Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,538,067
Cash paid to suppliers for goods/services	(238,177)
Cash paid to employees for services	(843,126)
Net Cash Provided by Operating Activities	456,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(14,410)
Net Cash Used for Capital and Related Financing Activities	(14,410)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	21,969
Reinvestment of interest	(175)
Net Cash Provided by Investing Activities	21,794
Net Increase in Cash and Cash Equivalents	464,148
Cash and Cash Equivalents, beginning of year	1,952,133
Cash and Cash Equivalents, end of year	$ 2,416,281

Continued

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF CASHFLOWS (Continued)
YEAR END JUNE 30, 2017

		Business-type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$	136,794
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		25,119
(Increase) decrease in assets:		
Accounts receivable		27,552
Prepaid expenses		(1,281)
(Increase) decrease in deferred outflows of resources:		
Deferred outflows related to pensions		(107,060)
Increase (decrease) in liabilities:		
Accounts payable		39,434
Accrued salaries and retirement payable		8,634
Unearned revenue		43,375
Compensated absences payable		2,244
Other post-employment benefits plan payable		30,875
Net pension liability		225,326
(Increase) decrease in deferred inflows of resources:		
Deferred inflows related to pensions		25,752
Net Cash Provided by Operating Activities	$	456,764

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

LOUISIANA USED MOTOR VEHICLE COMMISSION
INDEX TO NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

INTRODUCTION

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana. It was created within the Office of the Governor as provided by Louisiana Revised Statute 32:772 in 1984, and is governed by La. R.S. 32:783. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Headquartered in Baton Rouge, the Commission's operations are funded by self-generated funds which are primarily license fees.

The Commission is composed of 10 members appointed by the Governor of the State of Louisiana and serve concurrent terms with that of the Governor. Five of the members must be licensed used motor vehicle dealers from each of the Public Service Commission districts. Three of the members must be consumers selected at large. One each of the following make up the remaining members – (1) licensed automotive dismantler or parts recycler, and (2) licensed conductor of used motor vehicle auctions or salvage pool auctions. Commission members, as authorized by Louisiana Administrative Code 46:317(C), may receive a per diem of $75 per day in addition to actual expense reimbursement to attend meetings or conduct Commission-approved business.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Basis of Accounting: The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Reporting: The Commission has adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and also the required portions of GASB Statement No. 37, *Basic Financial Statements – for State and Local Governments – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external reporting for all state and local governmental entities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences: Employees of the Commission earn and accumulate vacation and sick leave at varying rates depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, however, employees or their heirs are compensated for only up to 300 hours of unused vacation leave. This is computed at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. At June 30, 2017, employees of the Commission had accumulated and vested $31,984 in employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

Deferred Outflows/Inflows of Resources: The statement of Financial Position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	Book Balance	Bank Balance
Petty cash	$ 500	$ 500
Interest-bearing demand deposits	2,415,781	2,432,363
Total	2,416,281	2,432,863

These deposits are stated at cost, which approximates market. Under state law, they 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 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.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Commission does not have any deposits that fall within this category.

NOTE 3 – INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter-party or the counter-party's trust department or agent but not in the entity's name. The Commission does not have any investments subject to credit risk. All investments are certificates of deposit with maturities extending beyond 90 days. At June 30, 2017, the Commission had certificates whose reported amount equaled its fair value as follows:

	Maturity	Interest Rate	Amount
First Business Bank	1/14/18	1.15%	$ 75,002
First Business Bank	1/14/18	1.15%	73,993
Landmark Bank	1/15/18	0.65%	51,156
Landmark Bank	4/23/18	0.60%	99,008
Landmark Bank	4/17/17	0.60%	98,970
First Business Bank	8/22/17	1.15%	50,021
First Business Bank	8/22/17	1.15%	50,021
Total			498,171

NOTE 4 – RECEIVABLES

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

Class of Receivables	
Accounts - hearings, net of allowance of $53,400	$ 72,098

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Capital Assets, being depreciated:				
Buildings and improvements	205,488	-	-	205,488
Less: accumulated depreciation	(130,022)	(5,805)	-	(135,827)
Net Buildings and Improvements	75,466	(5,805)	-	69,661
Autos and equipment	160,438	14,410	(11,781)	163,067
Less: accumulated depreciation	(115,738)	(18,824)	10,883	(123,679)
Net Autos and Equipment	44,700	(4,414)	(899)	39,388
Website	2,450	-	-	2,450
Less: accumulated depreciation	(1,960)	490	-	(2,450)
Net Website	490	(490)	-	-
Net Capital Assets, being depreciated	120,657	(10,709)	(899)	109,049
Net Capital Assets	170,657	(10,709)	(899)	159,049

NOTE 6 – ACCOUNTS AND OTHER PAYABLES

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

Class of Payables	
Accounts	$ 51,177
Payroll taxes withheld and related payables	32,574
Salaries	35,815
Fines held pending appeal	2,425
Unearned revenue	303,905
Total	425,896

NOTE 7 – LEAVE

Annual and Sick Leave. The Commission's employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service and are credited at the end of each month of regular service. Accumulated leave is carried forward to succeeding years without limitation. Requests for leave must be made to the employee's immediate supervisor and approved by the Executive Director or his/her designee. Upon termination, employees are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditures when leave is earned. Only annual leave is accrued in the accompanying statement of net position, the amount unpaid at June 30, 2017 and 2016, being $44,249 and $42,005, respectively.

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

NOTE 8 – PENSIONS

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

Retirement

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

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

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

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service.

Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

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

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

1. Deferred Retirement Benefits

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

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

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 given 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.

2. Disability Benefits

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

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

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

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.

3. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

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

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation, and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and 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.

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

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2017 for the various plans follow:

Plan	Plan Status	Employee Rate	Employer Rate
Appellate Law Clerks	Closed	7.50%	35.80%
Appellate Law Clerks hired on or after 7/01/06	Open	8.00%	35.80%
Alcohol Tobacco Control	Closed	9.00%	30.70%
Bridge Police	Closed	8.50%	34.20%
Bridge Police hired on or after 7/01/06	Closed	8.50%	34.20%
Corrections Primary	Closed	9.00%	31.10%
Corrections Secondary	Closed	9.00%	35.30%
Harbor Police	Closed	9.00%	4.00%
Hazardous Duty	Open	9.50%	36.10%
Judges hired before 1/01/11	Closed	11.50%	38.00%
Judges hired after 12/31/10	Closed	13.00%	36.70%
Judges hired on or after 7/01/15	Open	13.00%	36.70%
Legislators	Closed	11.50%	39.10%
Optional Retirement Plan (ORP) before 7/01/06*	Closed	7.50%	35.80%
Optional Retirement Plan (ORP) on or afer 7/01/06*	Closed	8.00%	35.80%
Peace Officers	Closed	9.00%	34.30%
Regular Employees hired before 7/01/06	Closed	7.50%	35.80%
Regular Employees hired on or after 7/01/06	Closed	8.00%	35.80%
Regular Employees hired on or after 1/01/11	Closed	8.00%	35.80%
Regular Employees hired on or after 7/01/15	Open	8.00%	35.80%
Special Legislative Employees	Closed	9.50%	41.10%
Wildlife Agents	Closed	9.50%	44.80%

*For ORP the projected employer contribution effort was calculated using the shared UAL portion of the contribution rate of 31.77% for 2017.

The agency's contractually required composite contribution rate for the year ended June 30, 2017 was 35.8% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Agency were $181,740 for the year ended June 30, 2017.

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

At June 30, 2017, the Employer reported a liability of $2,049,909 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Agency's proportion was 0.02611% which was an decrease of 0.00075% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of $210,693 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, $115,065.

At June 30, 2017, the Agency 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	$ 1,187	$ (19,012)
Changes of assumptions	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	$ 255,320	$ -
Changes in proportion and differences between Employer contributions and proportionate share of contributions	$ 187	$ (32,901)
Employer contributions subsequent to the measurement date	181,740	-
Total	$ 438,434	$ (51,913)

$181,740 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension

Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$	22,921
2019	$	21,734
2020	$	99,222
2021	$	60,904

Actuarial Assumptions

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

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

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

Cost of Living Adjustments The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

*The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for gain-sharing and 15 basis points to offset administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2016. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation[1]	Long-Term Expected Real Rate of Return[1]
Cash	0%	-0.24%
Domestic Equity	25%	4.31%
International Equity	32%	5.48%
Domestic Fixed Income	8%	1.63%
International Fixed Income	6%	2.47%
Alternative Investments	22%	7.42%
Global Tactical Asset Allocation	7%	2.92%
	100%	5.30%

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

Discount Rate

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

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Employer's proportionate share of the net pension liability	$ 2,518,503	$ 2,049,909	$ 1,651,751

Pension Plan Fiduciary Net Position

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

NOTE 9 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

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

Funding Policy. LRS 42:801-883 provides for the authority under which the obligations of the plan members and the system are established and may be amended. For employees hired prior to January 1, 2002, the cost of coverage is shared 25% by the participant and 75% by the Commission with the exception of single retirees under age 65. He/she must pay 25% of the active employee cost. Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on his/her years of service at retirement (under 10 yrs. – 81%; 10-14 yrs. – 62%; 15-19 yrs. – 44%; 20+ yrs. – 25%). A lifetime maximum for healthcare benefits is set at $5,000,000 for the PPO, HMO and EPO plans. The retiree must pay 50% of the life insurance premiums for him or herself and 88% for his/her spouse. Maximum coverage is capped at $50,000. Premiums paid for healthcare coverage vary depending on the plan chosen. The plan is currently financed on a pay-as-you-go basis by the Commission.

OPEB Cost/Obligation. The Commission's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the year ending June 30, 2017 is $104,000.

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

Annual required contribution/OPEB Cost	$ 78,734
Contributions made	(47,859)
Change in Net OPEB Obligation	30,875
Net OPEB obligation, beginning	766,318
Net OPEB obligation, ending	797,193

Utilizing the pay-as-you-go method, the Commission contributed 61% of the annual post-employment benefits cost during the current year.

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

Unfunded actuarial accrued liability (UAAL)	$ 1,217,940
Covered payroll (active employees)	338,782
UAAL as a percentage of covered payroll	360%

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

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

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.0% and 8.1% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

NOTE 10 – LEASES

Operating Leases. A copier was leased from Kyocera for $284.83 per month and is paid on a month-to-month basis or $3,418 annually.

Capital Leases. The Commission has no capital leases.

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Amounts Ending Balance	Due Within One Year
Compensated absences	$ 42,005	$ 2,244	$ -	$ 44,249	$ -
Other post-employment benefits	766,318	30,875	-	797,193	-
Net pension liability	1,824,583	225,326	-	2,049,909	-
Total	2,632,906	258,445	-	2,891,351	-

NOTE 12– RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 13 – CONTINGENT LIABILITIES

Management is unaware of any litigation that would require disclosure in this financial report.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

After several discussions with the Louisiana State Employees Retirement System, management of the Commission has determined that LASERS used incorrect percentages to calculate the Commission's pension liability and related inflows and outflows in the prior period. As a result of the error, management has increased unrestricted net assets by $429,922 as of June 30, 2016. It has also reduced net pension liability by $1,173,794, deferred inflows of resources related to pensions by $96,029 and deferred outflows of resources related to pensions by $839,901 as of the same date.

NOTE 15 – SUBSEQUENT EVENTS

Management of the Commission has evaluated subsequent events through October 11, 2017, the date that the financial statements were to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

REQUIRED SUPPLEMENTARY INFORMATION
(PART 2 OF 2)

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
YEAR END JUNE 30, 2017

	Budgeted						Variance Favorable
		Original		Final		Actual		(Unfavorable)

		Budgeted Original		Budgeted Final		Actual		Variance Favorable (Unfavorable)
REVENUES								
Licenses and other fees	$	1,228,690	$	1,228,690	$	1,355,391	$	126,701
Hearing costs and fines		250,000		250,000		83,274		(166,726)
Mailing lists/labels		1,100		1,100		28,475		27,375
Interest income		7,700		7,700		21,069		13,369
Other revenues		-		-		-		-
Total Revenues	$	1,487,490	$	1,487,490	$	1,488,209	$	719
EXPENDITURES								
Salaries and related benefits	$	1,059,534	$	1,046,728	$	1,028,897	$	17,831
Meetings, conferences and travel		12,000		18,000		17,240		760
Professional services		132,500		99,000		90,971		8,029
Maintenance and repairs		38,150		67,225		24,422		42,803
General and administrative		183,829		191,560		143,697		47,863
Depreciation		45,000		48,500		25,119		23,381
Total Expenditures	$	1,471,013	$	1,471,013	$	1,330,346	$	140,667
Change in Net Position	$	16,477	$	16,477	$	157,863	$	141,386
Net Assets, beginning	$	60,481	$	60,481	$	60,481	$	-
Net Assets, ending	$	76,958	$	76,958	$	218,344	$	141,386

LOUISIANA USED MOTOR VEHICLE COMMISSION
Schedule of Employer's Share of Net Pension Liability
For the Three Years Ended June 30, 2017*

	2017	2016	2015	
Employer's Proportion of the Net Pension Liability (Asset)	0.026110%	0.024220%	0.024380%	
Employer's Proportionate Share of the Net Pension Liability	$ 2,049,909	$ 1,824,583	$ 1,598,989	1
Employer's Covered-Employee Payroll[A]	490,818	509,059	471,120	2
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	418%	358%	339%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability[B]	57.7%	62.7%	65%	

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

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

For reference only:

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

[B] *Refer to LASERS CAFR for the years presented.*

LOUISIANA USED MOTOR VEHICLE COMMISSION

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

Date	Contractually Required Contribution[1]	Contributions in Relation to Contractually Required Contribution[2]	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll[3]	Contributions as a % of Covered Employee Payroll
2017	210,697	184,873	25,824	490,818	38%
2016	114,171	183,850	(69,679)	509,059	36%
2015	124,254	150,792	(26,538)	471,120	32%

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

For reference only:

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

[2] *Actual employer contributions remitted to LASERS.*

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of Benefit Terms

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

Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS
JUNE 30, 2017

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of per diem/compensation paid to Commission members is presented for the year ended June 30, 2017.

Name	Amount
Cormier, Tony	600
Donnell, Ricky	600
Duplessis, Ron (waived)	-
Floyd, George	675
Olave, Steve (waived)	-
Poteet, John	675
Roy, Kirby	225
Smith, Henry	675
Taylor, Dino	675
Watts, Richard	600
Total	4,725

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2017

AGENCY HEAD NAME: Derek Parnell, Executive Director

PURPOSE	AMOUNT
Salary	$ 101,296
Retirement	36,264
Health and Dental Insurance	6,376
Total	$ 143,936

John L. McKowen
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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*

To the Commissioners of the
Louisiana Used Motor Vehicle Commission
3132 Valley Creek Drive
Baton Rouge, Louisiana 70808

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisiana Used Motor Vehicle Commission, a related organization of the State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Louisiana Used Motor Vehicle Commission's basic financial statements, and have issued my report thereon dated October 11, 2017.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Louisiana Used Motor Vehicle Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission'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 is important enough to merit attention by those charged with governance.

weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Used Motor Vehicle Commission's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my 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 conducted in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John L. McKowen, CPA

John L. McKowen, CPA
October 11, 2017

LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

I have audited the basic financial statements of the Louisiana Used Motor Vehicle Commission as of and for the year ended June 30, 2017, and have issued my report thereon dated October 11, 2017. I conducted my 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. My audit of the financial statements as of June 30, 2017, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	□ No
	Significant Deficiencies	□ No
Compliance	Compliance Material to F/S	□ No

2. Federal Awards

N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A

Section I – Internal Control Over Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2016 related to internal control over financial reporting material to the basic financial statements.

Compliance and Other Matters

There were no findings noted during the audit for the year ended June 30, 2016 related to compliance and other matters.

Section II – Internal Control and Compliance Material to Federal Awards

The Louisiana Used Motor Vehicle Commission did not expend more than $750,000 in federal awards during the year ended June 30, 2016 and therefore, is exempt from the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards.*

Section III - Management Letter

A management letter was issued in connection with the audit of the financial statements for the year ended June 30, 2016, focusing on several unauthorized transactions that occurred in the Commission's bank account. Images of the cleared checks indicated that someone had created checks in various business names using the bank's routing number and the Commission's account number to write checks totaling $16,674.93. The bank's fraud department was notified, and the bank reimbursed the Commission for the stolen funds.

In accordance with La R.S. 24:523, the Commission promptly notified the Louisiana Legislative Auditor and the District Attorney of the 19th Judicial District. It also filed a report with the Baton Rouge Police Department, Financial Crimes Division. The police department was unable to identify any individual(s) involved and has closed the case.

In response to the incident, the Commission enrolled in its bank's "Positive Pay" program, whereby the Commission's Accountant Supervisor notifies the bank regarding check numbers and amounts of checks written each day, and the bank notifies both the Accountant Supervisor and the Executive Director of any checks presented for payment that are not on the Commission's uploaded list of checks. Subsequent to enrolling in the program, several more fraudulent checks were presented for payment, but the Commission was able to have the bank return the checks unpaid.

The Commission intends to continue its enrollment in "Positive Pay" in an attempt to prevent any further fraudulent activity. The issue has been resolved.

LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Section I **Internal Control and Compliance Material to the Financial Statements**

N/A

Section II **Internal Control and Compliance Material to Federal Awards**

N/A

Section III **Management Letter**

N/A

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LOUISIANA USED MOTOR VEHICLE COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

For the Year Ended June 30, 2017

To the Board of Commissioners
Louisiana Used Motor Vehicle Commission
3132 Valley Creek Drive
Baton Rouge, Louisiana 70808

I have performed the procedures enumerated below as they are a required part of the engagement. I am required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, I have marked "not applicable."

Management of the Louisiana Used Motor Vehicle Commission is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of Louisiana Used Motor Vehicle Commission and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about Louisiana Used Motor Vehicle Commission's compliance with certain laws and regulations during the year ended June 30, 2017.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

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

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

      The Commission has no written policies and procedures pertaining to budgeting.

   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.

The Commission has no written policies and procedures pertaining to purchasing.

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

The Commission has no written policies and procedures pertaining to disbursements.

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

The Commission has no written policies and procedures pertaining to receipts.

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

The Commission has no written policies and procedures pertaining to payroll/personnel.

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

The Commission has no written policies and procedures pertaining to contracting.

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

The Commission has adequate written policies and procedures regarding the use of credit cards.

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

The Commission has no written policies and procedures pertaining to travel and expense reimbursement.

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. Note: Ethics requirements are not applicable to nonprofits.

The Commission has no written policies and procedures pertaining to ethics.

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

Not applicable.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

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

The Board met nine times during the fiscal year with a quorum present.

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

The minutes of each meeting reflected discussion of the monthly budget-to-actual comparisons on *the General Fund.*

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

  Not applicable.

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

The minutes reflected discussion of non-budgetary financial information for at least one fiscal period.

Bank Reconciliations

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

   Per management, the Commission has one bank account aside from certificates of deposit.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

   a) Bank reconciliations have been prepared;

   Bank reconciliations were prepared each month.

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

   The Executive Director, who has no involvement in transactions, reviews the bank reconciliation each month.

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

   Management is in the process of sending a letter to each individual /entity with an uncashed check.

Collections

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

   Per management, cash/checks/money orders are collected at the main office only.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5

locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected**:

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

   While there is no written documentation or evidence that each person responsible for collecting cash is bonded, duties are properly segregated and cash drawers are not shared.

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

   The Commission has an unwritten policy to reconcile cash collections to the general ledger by revenue source by a person who is not responsible for cash collection.

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

   - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

   Each of the daily collections selected were deposited within one day of collection.

   - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

   Daily cash collections are completely supported by documentation.

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

   While a person not responsible for collections determines completeness of collections, the Commission has no written documentation pertaining to completeness of all collections.

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

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

Per management, the general ledger population is complete.

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

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

      All purchases selected were initiated using a requisition system that separates initiation from approval.

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

      Each purchase was approved by a person who did not initiate the purchase.

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

      All of the above were required prior to processing of payments.

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

    The Commission has no written documentation regarding the addition of vendors.

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

    The Commission has no written documentation regarding the above.

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

    Unused checks are maintained in a locked location by an individual who has signatory authority. However, dual signatures are required.

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

    Not applicable.

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

    Per management, a complete listing of p-card holders was provided.

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

    Three cards were selected.

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

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

       Monthly statements and supporting documentation was reviewed and approved by an individual other than the cardholder.

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

       No fees or late charges were assessed on the selected statements.

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

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

       - An original itemized receipt (i.e., identifies precisely what was purchased)

         Receipts were attached.

       - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

         Purpose was documented.

       - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

         Not applicable.

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

       No exceptions noted.

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

No exceptions noted.

Travel and Expense Reimbursement

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

    Per management, the general ledger population is complete.

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

    The Commission follows state guidelines, but does not have a separately written policy.

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

    a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

       No reimbursement exceeded the GSA rates.

    b) Report whether each expense is supported by:

       - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

         Each expense was supported by an original itemized receipt.

       - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

         Purpose was documented.

       - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

         Not applicable.

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

No exceptions noted.

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

Each expense and related documentation was reviewed and approved by someone other than the person receiving reimbursement.

Contracts

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

    Per management, the listing is complete.

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

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

    Each vendor has a formal contract supporting the services arrangement and the amount to be paid.

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

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

      All legal requirements of each contract were complied with.

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

      Not applicable.

    c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
    Not applicable.

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

    Invoices and related payments complied with the terms and conditions of the contract.

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

    Not applicable.

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

    Per management, the listing is complete.

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

       Compensation paid to the five employees selected was in strict accordance to the pay rate structure.

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

       Changes made to hourly rates during the fiscal period were approved in writing and were in accordance with policy.

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

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

       The selected employees document their daily attendance and leave.

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

       Employees electronically post their attendance and leave within the payroll system; supervisors approve leave by email.

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

       Written documentation was provided.

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

    Termination payments were made in strict accordance with policy and were approved by management.

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

submitted to the applicable agencies by the required deadlines.

Payroll taxes, retirement contributions, and required reporting forms were submitted by the required deadlines.

Ethics (excluding nonprofits)

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

    The Commission maintained documentation to demonstrate that ethics training for the five individuals had been completed.

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

    No allegations were received.

Debt Service (excluding nonprofits)

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

    Not applicable.

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

    Not applicable.

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

    Not applicable.

Other

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

    Per management, there were no misappropriations of public funds or assets.

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

    The notice is posted on both the Commission premises and the website.

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

    Not applicable.

This report is intended solely for the use of management of the Louisiana Used Motor Vehicle Commission and the Legislative Auditor, State of Louisiana, 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.

John L. McKowen, CPA

John L. McKowen, CPA
Baton Rouge, Louisiana
October 11, 2017

LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
REGARDING AGREED-UPON PROCEDURES
YEAR ENDED JUNE 30, 2017

Each of the exceptions noted in the Agreed-Upon Procedures Report relate to the Commission's lack of written policies and procedures. We agree that best practices would indicate we should have a policies and procedures manual and we will begin developing one as soon as possible.