

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 2007
ISSUED SEPTEMBER 5, 2007

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

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TABLE OF CONTENTS

	Page
Independent Auditor's Report on the Financial Statements.....	3
Management's Discussion and Analysis	5
Statement	
Basic Financial Statements:	
Statement of Net Assets..... A.....	11
Statement of Revenues, Expenses, and Changes in Net Assets..... B.....	13
Statement of Cash Flows	C.....15
Notes to the Financial Statements	17
Schedule	
Supplemental Information:	
Schedule of Per Diem Paid Board Members.....1.....	27
Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, as of and for the Year Ended June 30, 2007	
Exhibit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

August 23, 2007

Independent Auditor's Report
on the Financial Statements

**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the accompanying basic financial statements of the State Board of Certified Public Accountants of Louisiana, a component unit of the State of Louisiana, as of June 30, 2007, and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of management of the State Board of Certified Public Accountants of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Certified Public Accountants of Louisiana as of June 30, 2007, and its respective changes in financial position and its cash flows for the years ended June 30, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the State Board of Certified Public Accountants of Louisiana did not directly suffer any major effects of these two hurricanes, the long-term effects of

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

these events directly on the State Board of Certified Public Accountants of Louisiana cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the State Board of Certified Public Accountants of Louisiana's basic financial statements. The accompanying schedule of per diem paid board members and annual fiscal report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

EE:JR:PEP:dl

CPA07

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begins on page 11.

FINANCIAL HIGHLIGHTS

- The Board's total net assets (i.e., the amount by which total assets exceed liabilities) was in the amount of \$769,578 at the close of fiscal year 2007, which represents a \$186,911, or 32%, increase from last fiscal year.
- The Board's operating revenue is generated by fees for applications, licenses and license renewals, and fines and settlements from enforcement related activities.

Total operating revenue increased by \$295,669, or 51%, from 2006 to 2007. The increase in operating revenue resulted primarily from an increase in annual fees for the 2007 renewal period that was implemented to fund planned acquisitions of computer software and hardware.

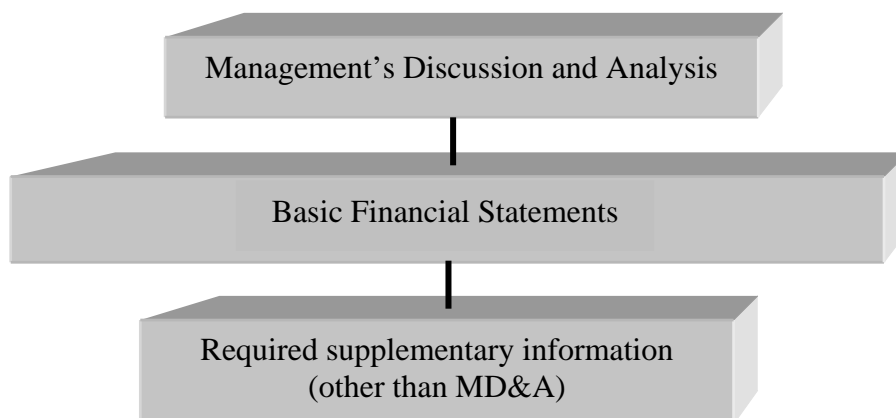
Operating revenue related to enforcement activity is subject to fluctuation from year to year. Fines and settlements (which include recoveries of enforcement costs) represent \$79,281, or 9%, of total operating revenues for this fiscal year. This is a significant increase in comparison to \$2,753 of such revenue for last fiscal year.

- Nonoperating revenue consists of interest on money market checking account. Interest earnings represent 3% of total revenues for both this fiscal year and last fiscal year.
- Operating expenses increased by \$72,960, or 11%, from \$650,986 last fiscal year to \$723,946 this fiscal year primarily as a result of having less than typical expenses incurred in last fiscal year subsequent to Hurricane Katrina.

OVERVIEW OF THE FINANCIAL STATEMENTS

The graphic on the following page illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

MANAGEMENT'S DISCUSSION AND ANALYSIS



This financial report consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the related notes to the financial statements), and other supplementary information, as may be applicable. Other than the MD&A, in the Board's case, there is no additional GASB required supplementary information applicable this year. The Board includes a supplemental schedule of Board compensation and other information as may be required by the state's Division of Administration.

Basic Financial Statements

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

The Statement of Net Assets (page 11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Board is improving or deteriorating.

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

The Cash Flow Statement (page 15) presents information showing how the Board's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

FINANCIAL ANALYSIS OF THE ENTITY

**Statement of Net Assets
As of June 30**

	Total	
	2007	2006
Current and other assets	\$815,031	\$633,318
Capital assets (net)	6,744	
Total assets	<u>821,775</u>	<u>633,318</u>
Current liabilities	10,859	16,811
Long-term obligations	41,338	33,840
Total liabilities	<u>52,197</u>	<u>50,651</u>
Net assets:		
Invested in capital assets	6,744	
Unrestricted	<u>762,834</u>	<u>582,667</u>
Total net assets	<u><u>\$769,578</u></u>	<u><u>\$582,667</u></u>

Unrestricted net assets are those that do not have any specified limitations on how these amounts may be expended. Net assets of \$762,834 are available for future operations. There are no restricted net assets as of June 30, 2007.

Net assets increased by \$186,911, or 32%, from June 30, 2006 to June 30, 2007.

**Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30**

	Total		
	2007	2006	2005
Operating revenues	\$880,941	\$585,272	\$606,483
Operating expenses	<u>(723,946)</u>	<u>(650,986)</u>	<u>(654,703)</u>
Operating income (loss)	156,995	(65,714)	(48,220)
Nonoperating revenues	<u>29,916</u>	<u>20,267</u>	<u>8,239</u>
Increase (decrease) in net assets	<u><u>\$186,911</u></u>	<u><u>(\$45,447)</u></u>	<u><u>(\$39,981)</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board's total revenues increased by \$305,318, or 52%, because of higher renewal fees combined with more license applicants and renewals than had been anticipated post-Katrina and from a significant increase in enforcement revenues. The total cost of all programs and services increased by \$72,960, or 11%, from fiscal year 2006 as Hurricane Katrina caused reductions from last fiscal year's expenses. There were staff who had been involuntarily displaced, and there was an office rent abatement for a period of two months after the storm.

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets consists of office equipment that is or has been depreciated over periods of five to six years.

Debts

The Board has not financed through external borrowing or incurring debt, and thus does not have any outstanding bonds or notes for this or the previous fiscal year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees as described in the notes to the financial statements.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS AND ACTUAL RESULTS

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

The original budget approved for the year ended June 30, 2007, was amended twice during the year. The original budget for the year ended June 30, 2006, was not amended during the year.

For the year ended June 30, 2007, actual revenues were over the final budget amounts by \$134,697, or 17%, because of higher numbers of license applicants and renewals than had been anticipated post-Katrina and because of a significant increase in enforcement revenues. For the year ended June 30, 2006, actual revenues were over the original budget by only \$5,409, or .9%.

For the year ended June 30, 2007, expenses were less than the final budget by \$127,628, or 15%, primarily because of deferring acquisitions of computer software and hardware pending the selection of a vendor. For the year ended June 30, 2006, expenses were less than the final budget by \$94,968, or 13%, which was largely related to reductions in staffing, an office rent abatement, and less expenditures for professional services directly or indirectly caused by disruptions from Hurricane Katrina.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND FEES

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

- Renewal fees were increased for the calendar year 2007 and overall licensee volume has been fairly stable. The total number of Certified Public Accountants and Certified Public Accountant (CPA) firms is higher than had been expected post-Hurricanes' Katrina and Rita and higher than anticipated after the completion of the 2004-06 continuing professional education (CPE) reporting period.
- Certified public accountant examination candidate volume has dropped significantly subsequent to the conversion to computer-based testing in April 2004. However, the candidate volume has been increasing annually. The number of exam candidates affects the number of new CPA license applications and related fee revenue.
- A relatively strong financial position must be maintained for the Board to remain active and flexible in enforcement matters, to handle major cases that can arise unexpectedly and the related enforcement and legal costs, and to provide resources for upgrading office technology and migrating toward online processing of annual license and registration renewals.
- Fees are monitored closely by the Board to balance its responsibilities as a regulator with its interest in keeping fees at levels that are reasonable in relation to operating costs.

The Board expects that next year's results will vary from the current year in that revenue will decline and expenses will increase based on the following:

- For the 2008 licensee renewal year, the Board is maintaining application and annual renewal fees at current levels.
- Notice fees from licensees of other states who are eligible for practice privileges in Louisiana are planned to be eliminated, based on legislation passed in 2007 by the state legislature in cooperation with a national initiative to foster CPA mobility.
- CPA exam candidate volume will likely continue to gradually increase, but it may take several years to return to the level existing prior to computerizing the exam. Revenue related to new CPA license applications, and subsequent renewals by such new licensees, is not expected to increase significantly from year to year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Delinquent renewal submissions, reinstatements of expired licenses, and fines for noncompliance with CPE requirements are expected to decline next fiscal year. Fiscal year 2007-08 will not be a "CPE reporting year," which only occurs every third calendar year. (These CPE reporting years, such as the one occurring in fiscal year 2006-07, typically have delayed filing of renewals by licensees resulting in additional fees for late renewals, reinstatements, and revenues from fines imposed on those licensees who fail to complete mandatory CPE.)
- Significant expenditures for capital acquisitions of computers and software are anticipated to convert to online processing of license renewals and to replace the licensee database software.

The combined effect of these factors are expected to result in a net decrease of cash and cash equivalents and may cause an operating loss (decrease in net assts) depending on progress made in converting to a new database and related online functionality.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, licensees, registrants, examination candidates, individuals and organizations served by CPAs, and other users with a general overview of the Board's finances and to show the Board's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Board's executive director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2007

ASSETS

Current assets:

Cash (note 2)	\$790,171
Receivables	21,581
Prepayments	3,279
Total current assets	<u>815,031</u>

Noncurrent assets:

Capital assets (note 4)	26,225
Less accumulated depreciation (note 4)	<u>(19,481)</u>
Total noncurrent assets	<u>6,744</u>
Total assets	<u>821,775</u>

LIABILITIES

Current liabilities:

Accounts payable	3,953
Deferred revenue	3,500
Current portion of long-term liabilities - compensated absences payable (note 9)	<u>3,406</u>
Total current liabilities	<u>10,859</u>

Noncurrent liabilities -

compensated absences payable (note 9)	<u>41,338</u>
Total liabilities	<u>52,197</u>

NET ASSETS

Invested in capital assets (note 4)	6,744
Unrestricted net assets	<u>762,834</u>
Total net assets	<u>\$769,578</u>

The accompanying notes are an integral part of this statement.

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**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006**

	JUNE 30,	
	2007	2006
OPERATING REVENUES		
Licenses, permits, and fees	\$794,900	\$578,220
Fines and settlements	79,281	2,753
Other income	6,760	4,299
Total operating revenues	880,941	585,272
OPERATING EXPENSES		
Personal services	495,213	450,204
Professional and contractual	45,637	26,359
Acquisitions		2,509
Operating services and supplies	181,747	171,914
Depreciation (note 4)	1,349	
Total operating expenses	723,946	650,986
OPERATING INCOME (LOSS)	156,995	(65,714)
NONOPERATING REVENUES		
Interest earnings	29,916	20,267
Change in net assets	186,911	(45,447)
TOTAL NET ASSETS AT BEGINNING OF YEAR	582,667	628,114
TOTAL NET ASSETS AT END OF YEAR	\$769,578	\$582,667

The accompanying notes are an integral part of this statement.

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**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006**

	JUNE 30,	
	2007	2006
Cash flows from operating activities:		
Cash received from licensees and registrants	\$852,272	\$585,169
Cash received from customers	6,760	4,299
Cash paid to suppliers for goods and services	(229,204)	(195,614)
Cash payments to employees for services	(488,286)	(455,769)
Net cash provided (used) by operating activities	<u>141,542</u>	<u>(61,915)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(8,093)</u>	NONE
Cash flows from investing activities:		
Interest received	29,916	20,666
Proceeds from certificates of deposit		300,000
Net cash provided by investing activities	<u>29,916</u>	<u>320,666</u>
Net increase in cash	163,365	258,751
Cash at beginning of year	<u>626,806</u>	<u>368,055</u>
Cash at end of year	<u><u>\$790,171</u></u>	<u><u>\$626,806</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$156,995</u>	<u>(\$65,714)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,349	
Changes in assets and liabilities:		
(Increase) decrease in receivables	(19,128)	4,428
Decrease (increase) in prepayments	780	(1,384)
(Decrease) increase in accounts payable	(1,963)	3,085
(Decrease) increase in compensated absences payable	6,434	(5,005)
(Decrease) increase in deferred revenues	(2,925)	2,675
Total adjustments	<u>(15,453)</u>	<u>3,799</u>
Net cash provided (used) by operating activities	<u><u>\$141,542</u></u>	<u><u>(\$61,915)</u></u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The State Board of Certified Public Accountants of Louisiana (board), a component unit of the State of Louisiana, was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The board is a licensing agency of the State of Louisiana. Effective July 1, 2001, the board was among those transferred from the Department of Economic Development to the Office of the Governor by the legislature. The board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71 *et seq.* The board is composed of seven members who are appointed by the governor, five from designated geographic areas and two at-large. The board acts in Louisiana's public interest. The board is charged with the responsibility of regulating the practice of certified public accountants (CPA) and firms in the state by enforcing the accountancy act, promulgating rules, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The board has nine employees. As of June 30, 2007, there were 6,550 active (licensed) and 3,616 inactive (unlicensed) certified public accountants and 2,218 CPA firms in the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The board applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. However, the board does not apply FASB pronouncements issued after November 30, 1989.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The board is considered a component unit (enterprise fund) of the State of Louisiana because the state has financial accountability over the board in that the governor appoints the board members and can impose her will on the board. The accompanying financial statements present information only as to the transactions and activities of the State Board of Certified Public Accountants of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

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

D. BASIS OF ACCOUNTING

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

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

Revenues

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

Expenses

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

Nonoperating Revenues and Expenses

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

Deferred Revenues

Deferred revenues arise when potential revenue is collected or received before being earned.

E. BUDGET PRACTICES

The board submitted its annual budget to the various agencies prescribed by R.S. 39:1331-1342, in accordance with R.S. 36:803. The budget is prepared on a modified accrual basis of accounting. Although budget amounts lapse at year-end, the board retains its unexpended net assets to fund expenses of the succeeding year. Formal budget integration is not employed as a management control device during the year. The original budgets for the years ended June 30, 2007 and 2006 were revised with two amendments, as summarized below:

	Revenues	Expenditures	Fund Balance
June 30, 2007			
Original approved budget	\$564,420	\$856,369	\$582,668
Amendment 1 - July 19, 2006	161,280	(23,875)	
Amendment 2 - January 22, 2007	50,460	19,080	
Excess (deficiency) of revenues over expenditures			(75,414)
Final approved budget	\$776,160	\$851,574	\$507,254
June 30, 2006			
Original and final approved budget	\$600,130	\$745,684	\$482,560

F. CASH AND INVESTMENTS

Cash consists of the amounts in interest-bearing demand deposit accounts, cash on hand, and petty cash. Certificates of deposit with maturities extending beyond 90 days are considered investments. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the board may invest in time certificates of deposit of any bank domiciled or having a branch in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

G. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets consist of office and computer equipment and are capitalized at historical cost. These assets, net of accumulated depreciation, are included on the statement of net assets. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

Long-term obligations at June 30, 2007, include only compensated absences. A summary of changes in long-term obligations is presented in note 9.

H. EMPLOYEE COMPENSATED ABSENCES

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

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

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

I. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following three components as applicable:

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

Restricted consists of external constraints placed on net asset use by creditors, grantors, contributors, and laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS

Unrestricted consists of all other net assets that are not included in the other categories previously mentioned.

2. CASH

The board has cash (book balance) totaling \$790,171 at June 30, 2007, which consist of the following:

Demand deposits	\$790,071
Petty cash	<u>100</u>
Total	<u><u>\$790,171</u></u>

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

As of June 30, 2007, the board's total bank balance of \$824,110 was fully insured and collateralized and therefore not exposed to custodial credit risk.

3. INVESTMENTS

At June 30, 2007, the board has no investments.

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

	Beginning Balance July 1, 2005	Additions	Deletions	Ending Balance June 30, 2006
Equipment	\$46,769			\$46,769
Less accumulated depreciation	(46,769)			(46,769)
Capital assets, net	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
Equipment	\$46,769	\$8,093	(\$28,637)	\$26,225
Less accumulated depreciation	(46,769)	(1,349)	28,637	(19,481)
Capital assets, net	<u>NONE</u>	<u>\$6,744</u>	<u>NONE</u>	<u>\$6,744</u>

The board follows the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The LPAA's dollar threshold for capitalizing equipment is \$1,000. However, according to the Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over \$5,000 is capitalized and depreciated for financial statement purposes.

5. PENSION PLAN

Substantially all of the employees of the board are members of the Louisiana State Employees Retirement System (LASERS), a cost-sharing, single-employer defined benefit pension plan. LASERS is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees. LASERS provides retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

All full-time board employees are eligible to participate in LASERS. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

NOTES TO THE FINANCIAL STATEMENTS

Employees are required by state statute to contribute 7.5% to 8% of gross salary, and the board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The board's contribution rate for the fiscal year ended June 30, 2007, remained at 19.1% of annual covered payroll as compared to the 19.1% and 17.8% required in fiscal years ended June 30, 2006 and 2005, respectively. The board's contributions to LASERS for the years ending June 30, 2007, 2006, and 2005, were \$60,386, \$58,381, and \$56,080, respectively, equal to the required contributions for each year.

6. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all board employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the board. These benefits for retirees and similar benefits for active employees are provided through an insurance company or the state's insurance program whose premiums are paid jointly by the employee and the board. The board's cost of providing retiree health care and life insurance benefits are recognized as an expense when the monthly premiums are paid. For the years ending June 30, 2007 and 2006, the board's costs of retiree benefits totaled \$11,361 and \$12,930, respectively.

7. OPERATING LEASE

The board's total rental and lease expense for June 30, 2007 and 2006, were \$84,203 and \$64,805, respectively, which includes an operating lease for office space with a monthly rental of \$4,954, which ended August 31, 2006. The board has a new office space lease with monthly rental of \$5,342 for a five-year term with an option for an additional five years. The board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are as follows:

Nature of <u>Operating Lease</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Office space	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$10,684</u>

8. DEFERRED COMPENSATION PLAN

Employees of the board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this plan are available in the Plan's separate audit report.

9. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions, which consist entirely of compensated absences for the two years ended June 30, 2007:

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Compensated absences payable	<u>\$43,314</u>	<u>\$15,763</u>	<u>\$20,768</u>	<u>\$38,309</u>	<u>\$4,469</u>
	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Compensated absences payable	<u>\$38,309</u>	<u>\$17,862</u>	<u>\$11,427</u>	<u>\$44,744</u>	<u>\$3,406</u>

The liability for accrued payable compensatory leave at June 30, 2007, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60, is estimated to be \$3,116. The leave payable is recorded in the accompanying financial statements as a portion of the compensated absences liability.

10. RISK MANAGEMENT

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

There is no pending litigation or claims against the board at June 30, 2007, which if asserted, in the opinion of the board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

**PER DIEM PAID BOARD MEMBERS
For the Years Ended June 30, 2007 and 2006**

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Officers of the board receive compensation of \$150 per month, and other members receive \$100 per month in accordance with Act 473 of 1999.

**ANNUAL FISCAL REPORT TO THE OFFICE OF
THE GOVERNOR, DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY
As of and for the Year Ended June 30, 2007**

The annual fiscal report presents the financial position of the State Board of Certified Public Accountants of Louisiana as of June 30, 2007, and the results of its operations (including cash flows) for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

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**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Carol T. Barnes, CPA - Member (July 2005 - July 2006) Secretary (August 2006 - June 2007)	\$1,750	\$1,200
Michael B. Bruno, CPA - Member - (July 2005) Secretary (August 2005 - July 2006) Treasurer (August 2006 - July 2007)	1,800	1,750
Susan C. Cochran, CPA - Treasurer (July 2005) Member (August 2005 - June 2007)	1,200	1,250
Mark P. Harris, CPA - Secretary (July 2005) Treasurer (August 2005 - July 2006) Member (August 2006 - June 2007)	1,250	1,800
Desiree W. Honore, CPA - Member (July 2005 - June 2007)	1,200	1,200
Letti Lowe-Ardoin, CPA - Member (July 2005 - June 2007)	1,200	1,200
Michael A. Tham, CPA - Chairman (July 2005 - June 2007)	1,800	1,800
	<u>10,200</u>	<u>10,200</u>
Total	<u>\$10,200</u>	<u>\$10,200</u>

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**STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS
OF LOUISIANA**

STATE OF LOUISIANA

Annual Financial Report

June 30, 2007

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

STATE OF LOUISIANA

Annual Financial Statements

June 30, 2007

C O N T E N T S

	Statement	Page No.
TRANSMITTAL LETTER		1
AFFIDAVIT		2
<u>Statements</u>		
Management's Discussion and Analysis		3
Balance Sheet	A	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B	10
Statement of Activities	C	11
Statement of Cash Flows	D	12
Notes to the Financial Statements		13
A. Summary of Significant Accounting Policies		
B. Budgetary Accounting		
C. Deposits with Financial Institutions and Investments		
D. Capital Assets		
E. Leave		
F. Retirement System		
G. Post Retirement Health Care and Life Insurance Benefits		
H. Deferred Compensation Plan		
I. Leases		
J. Long-Term Liabilities		
K. Disaggregation of Receivable Balances		
L. Disaggregation of Payable Balances		
M. Employee Termination Benefits		
<u>Schedules</u>		
	Schedule	Page No.
Schedule of Per Diem Paid Board Members	1	20
Schedule of Comparison Figures	2	21



**STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANTS
OF LOUISIANA**

601 Poydras Street, Suite 1770
New Orleans, LA 70130

Phone: (504) 566-1244
Fax: (504) 566-1252
www.cpaboard.state.la.us

TRANSMITTAL LETTER

August 23, 2007

Afranie Adomako, CPA, Director
Division of Administration
Office of Statewide Reporting and Accounting Policy
Post Office Box 94095
Baton Rouge, LA 70804-9095

Dear Mr. Adomako:

In accordance with Title 39, enclosed are the annual financial statements of the State Board of Certified Public Accountants of Louisiana as of, and for the fiscal year ended, June 30, 2007 prepared in accordance with policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

If you have any questions concerning the information submitted, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael A. Henderson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael A. Henderson
Executive Director

Enclosure



**STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANTS
OF LOUISIANA**

601 Poydras Street, Suite 1770
New Orleans, LA 70130

Phone: (504) 566-1244
Fax: (504) 566-1252
www.cpaboard.state.la.us

TRANSMITTAL LETTER

August 23, 2007

Daryl G. Purpera, CPA, CFE
First Assistant Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

In accordance with R.S. 24:514, enclosed are the annual financial statements of the State Board of Certified Public Accountants of Louisiana as of, and for the fiscal year ended, June 30, 2007 prepared in accordance with policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

If you have any questions concerning the information submitted, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "M.A. Henderson", with a long, sweeping underline.

Michael A. Henderson
Executive Director

Enclosure

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2007

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

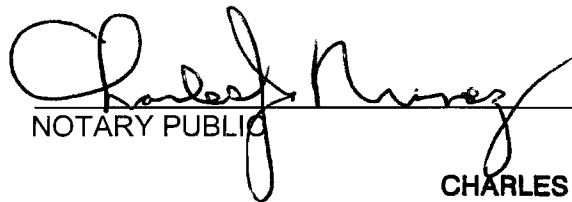
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, **Michael A. Henderson**, Executive Director of the State Board of Certified Public Accountants of Louisiana who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of the State Board of Certified Public Accountants of Louisiana at June 30, 2007 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 23rd day of AUGUST, 2007.



Signature of Agency Official



NOTARY PUBLIC

CHARLES J. NUNEZ
Attorney-at-Law, Bar # 10130
Notary Public, Parish of
Jefferson, State of Louisiana
My Commission is for Life

Prepared by: Michael A. Henderson
Title: Executive Director
Telephone No.: 504-566-1244
Date: August 23, 2007

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007**

Management's Discussion and Analysis (MD&A)

The Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (the "Board") financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Board's total net assets (that is, the amount by which total assets exceed liabilities) was in the amount of \$769,578 at the close of fiscal year 2007, which represents a \$186,911 (or 32%) increase from last fiscal year.
- The Board's operating revenue is generated by fees for applications, licenses and license renewals and by fines and settlements from enforcement related activities.

Total operating revenue increased by \$295,669 (or 51%). The increase in operating revenue resulted primarily from an increase in annual fees for the 2007 renewal period that was implemented to fund planned acquisitions of computer software and hardware.

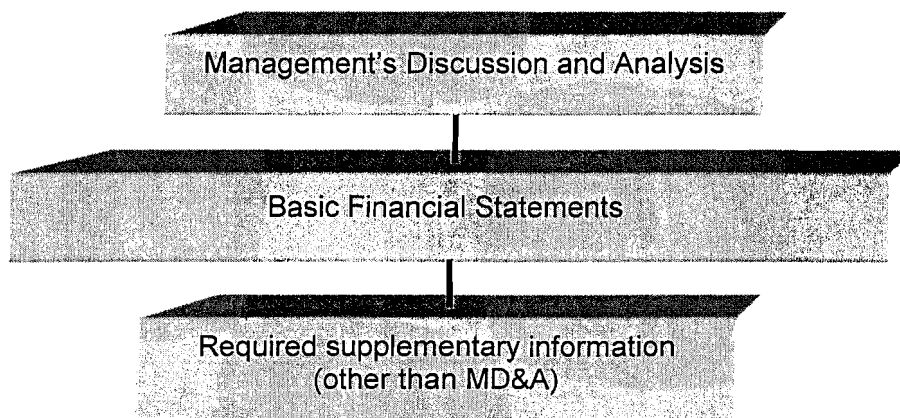
Operating revenue related to enforcement activity is subject to fluctuation from year to year. Fines and settlements (which includes recoveries of enforcement costs) represent \$79,281 (or 9%) of total operating revenues for this fiscal year. This is a significant increase in comparison to \$2,753 of such revenue for last fiscal year.

- Nonoperating revenue consists of interest on money market checking account. Interest earnings represent 3% of total revenues for both this fiscal year and for last fiscal year.
- Operating expenses increased by \$72,960 (or 11%) from \$650,986 last fiscal year to \$723,946 this fiscal year primarily as a result of having less than typical expenses incurred in last fiscal year subsequent to Hurricane Katrina.

OVERVIEW OF THE FINANCIAL STATEMENTS

The graphic on the following page illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007



This financial report consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information, as may be applicable. Other than the MD&A, in the Board's case there is no additional GASB required supplementary information applicable this year. The Board includes a supplemental schedule of Board compensation and other information as may be required by the State's Division of Administration.

Basic Financial Statements

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

The Balance Sheet (page 9) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 10) presents information showing how the Board's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 12) presents information showing how the Board's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method, and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007

FINANCIAL ANALYSIS

	Total	
	2007	2006
Current and other assets	\$ 815,031	\$ 633,318
Capital assets	6,744	
Total assets	\$ 821,775	\$ 633,318
Current liabilities	10,860	16,811
Long-term obligations	41,337	33,840
Total liabilities	52,197	50,651
Net assets:		
Invested in capital assets	6,744	
Unrestricted	762,834	582,667
Total net assets	769,578	582,667
Total liabilities and net assets	\$ 821,775	\$ 633,318

Unrestricted net assets are those that do not have any specified limitations on how these amounts may be expended. Net assets of \$762,834 are available for future operations. There are no restricted net assets as of June 30, 2007.

Net assets increased by \$186,911 (or 32%) from June 30, 2006 to June 30, 2007.

	Total	
	2007	2006
Operating revenues	\$ 880,941	\$ 585,272
Operating expenses	(723,946)	(650,986)
Operating income (loss)	156,995	(65,714)
Non-operating revenues	29,916	20,267
Increase (decrease) in net assets	\$ 186,911	\$ (45,447)

The Board's total revenues increased by \$305,318 (or 52%) due to higher renewal fees combined with more license applicants and renewals than had been anticipated post-Katrina, and from a significant increase in enforcement revenues. The total cost of all programs and services increased by \$72,960 (or 11%) from fiscal year 2006 as Hurricane Katrina caused reductions in last fiscal year's expenses. There were staff who had been involuntarily displaced, and there was an office rent abatement of a period of two months after the storm.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007

STATEMENT OF CASH FLOWS

Another way to assess the financial health of the Board is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

	2007	2006
Cash and cash equivalents provided (used) by:		
Operating activities	\$ 141,542	\$ (61,915)
Capital and financing activities	(8,093)	
Investing activities	29,916	320,666
Net increase in cash and cash equivalents	163,365	258,751
Cash and cash equivalents		
Beginning of year	626,806	368,055
End of year	\$ 790,171	\$ 626,806

The cash provided by investing activities in fiscal year 2006 was primarily due to maturing certificates of deposit.

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets consists of office equipment that is or has been depreciated over periods of 5 to 6 years.

Debts

The Board has not financed through external borrowing or incurring debt, and thus does not have any outstanding bonds or notes for this or the previous fiscal year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees as described in the notes to the financial statements.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS, AND ACTUAL RESULTS

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

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007**

The original budget approved for the year ended June 30, 2007 was amended twice during the year. The original budget for the year ended June 30, 2006 was not amended during the year.

For the year ended June 30, 2007, actual revenues were over the final budget amounts by \$134,697 (or 17%) due to higher numbers of license applicants and renewals than had been anticipated post-Katrina and due to a significant increase in enforcement revenues. For year ended June 30, 2006, actual revenues were over the original budget by only \$5,409 (or .9%).

For the year ended June 30, 2007, expenses were under the final budget by \$127,628 (or 15%) due primarily to deferring acquisitions of computer software and hardware pending the selection of a vendor. For the year ended June 30, 2006, expenses were under the final budget by \$94,968 (or 13%), which was largely related to reductions in staffing, an office rent abatement, and less expenditure for professional services directly or indirectly caused by disruptions from Hurricane Katrina.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND FEES

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

- Renewal fees were increased for the calendar year 2007 and overall licensee volume has been fairly stable. The total number of CPAs and CPA firms is higher than had been expected post-Katrina and Rita and higher than anticipated after the completion of the 2004-06 continuing professional education (CPE) reporting period.
- CPA examination candidate volume had dropped significantly subsequent to the conversion to computer based testing in April 2004. However, candidate volume has been increasing annually. The number of exam candidates affects the number of new CPA license applications and related fee revenue.
- A relatively strong financial position must be maintained, in order for the Board to remain active and flexible in enforcement matters, to handle major cases that can arise unexpectedly and the related enforcement and legal costs, and to provide resources for upgrading office technology and migrating to online processing of annual license and registration renewals.
- Fees are monitored closely by the Board in order to balance its responsibilities as a regulator with its interest in keeping fees at levels that are reasonable in relation to operating costs.

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007**

The Board expects that next fiscal year's results will vary from the current year, in that revenue will decline and expenses will increase, based on the following:

- For the 2008 licensee renewal year, the Board is maintaining application and annual renewal fees at current levels.
- Notice fees from licensees of other states who are eligible for practice privileges in Louisiana are planned to be eliminated, based on legislation passed in 2007 by the state legislature in cooperation with a national initiative to foster CPA mobility.
- CPA exam candidate volume will likely continue to gradually increase, but it may take several years to return to the levels that were experienced prior to computerizing the exam. Revenue related to new CPA license applications, and subsequent renewals by such new licensees, is not expected to increase significantly from year to year.
- Delinquent renewal submissions, reinstatements of expired licenses, and fines for non-compliance with continuing professional education (CPE) requirements are expected to decline next fiscal year. Fiscal year 2007-08 will not be a "CPE reporting year", which only occurs every third calendar year. (These CPE reporting years, such as the one occurring last year, in FY 2006-07, typically have delayed filing of renewals by licensees resulting in additional fees for late renewals, reinstatements, and revenues from fines imposed on those licensees who fail to complete mandatory CPE.)
- Significant expenditures for capital acquisitions of computers and software are anticipated in order to convert to online processing of license renewals and to replace the licensee database software.

The combined effect of these factors are expected to result in a net decrease of cash and cash equivalents and may cause an operating loss (decrease in net assets) depending on progress made in converting to a new database and related online functionality.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, licensees, registrants, examination candidates, individuals and organizations served by CPAs, and other users with a general overview of the Board's finances and to show the Board's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Board's Executive Director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
BALANCE SHEET
AS OF JUNE 30, 2007

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C)	\$ 790,171
Receivables, net (Note K)	21,581
Prepayments	3,279
Total current assets	<u>815,031</u>

NONCURRENT ASSETS:

Capital assets (Note D):	
Equipment	26,225
Less accumulated depreciation	(19,481)
Total noncurrent assets	<u>6,744</u>
Total assets	<u>\$ 821,775</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable (Note L)	\$ 3,954
Deferred revenue	3,500
Current portion of long-term liabilities:	
Compensated absences payable (Note J)	3,406
Total current liabilities	<u>10,860</u>

NONCURRENT LIABILITIES:

Compensated absences payable (Note J)	<u>41,337</u>
Total long-term liabilities	<u>41,337</u>
Total liabilities	<u>52,197</u>

NET ASSETS

Invested in capital assets	6,744
Unrestricted net assets	762,834
Total net assets	<u>769,578</u>
Total liabilities and net assets	<u>\$ 821,775</u>

The accompanying notes are an integral part of this financial statement.

Statement A

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Licenses, permits and fees	\$ 794,900
Fines and settlements	79,281
Other Income	6,760
Total operating revenues	<u>880,941</u>

OPERATING EXPENSES

Personal services	495,213
Professional and contractual	45,637
Operating services and supplies	181,747
Depreciation	1,349
Total operating expenses	<u>723,946</u>

Operating income	<u>156,995</u>
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NONOPERATING REVENUES

Interest earnings	<u>29,916</u>
Total nonoperating revenues	<u>29,916</u>

Change in net assets	186,911
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Total net assets - beginning	<u>582,667</u>
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Total net assets - ending	<u><u>\$ 769,578</u></u>
---------------------------	--------------------------

The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Component Unit:				
State Board of CPAs	\$ <u>723,946</u>	\$ <u>880,941</u>	\$ <u>--</u>	\$ <u>--</u>
				\$ <u>156,995</u>
General Revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				29,916
Miscellaneous				
Special Items				
Transfers				
Total general revenues, special items, and transfer				<u>29,916</u>
Change in net assets				<u>186,911</u>
Net assets - beginning				<u>582,667</u>
Net assets - ending				\$ <u><u>769,578</u></u>

The accompanying notes are an integral part of this financial statement.

Statement C

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Cash flows from operating activities		
Cash received from licensees and registrants	\$ 852,272	
Cash received from customers	6,760	
Cash payments to suppliers for goods and services	(229,204)	
Cash payments to employees for services	<u>(488,286)</u>	
Net cash provided by operating activities		\$ 141,542
Cash flows from noncapital financing activities		
		0
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(8,093)</u>	
Net cash used by capital activities		(8,093)
Cash flows from investing activities		
Interest earned on money market deposit accounts	<u>29,916</u>	
Net cash provided by investing activities		<u>29,916</u>
Net increase in cash and cash equivalents		163,365
Cash and cash equivalents at beginning of year		<u>626,806</u>
Cash and cash equivalents at end of year		\$ <u><u>790,171</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 156,995
Adjustments to reconcile operating income to net cash:		
Depreciation	1,349	
Changes in assets and liabilities:		
Increase in receivables	(19,128)	
Decrease in prepayments	780	
Decrease in accounts payable	(1,963)	
Increase in compensated absences payable	6,434	
Decrease in deferred revenues	<u>(2,925)</u>	
Total adjustments		<u>(15,453)</u>
Net cash provided by operating activities		\$ <u><u>141,542</u></u>

The accompanying notes are an integral part of this financial statement.

Statement D

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007**

INTRODUCTION

The State Board of Certified Public Accountants of Louisiana (Board) was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The Board is a licensing agency of the State of Louisiana. The Board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71-et seq. The Board is composed of seven members who are appointed by the governor, five from designated geographic areas and two at large. The Board acts in the Louisiana public interest. The Board is charged with the responsibility of regulating the practice of certified public accountants and firms in the State by enforcing the accountancy act, promulgating rules, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the Board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The Board has nine full time authorized employee positions. As of June 30, 2007, there were 6,550 active (licensed), 3,616 inactive (unlicensed) certified public accountants, 310 certified public accountants with practice privileges, and 2,218 CPA firms in the State.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Board present information only as to the transactions of the programs of the Board as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Board are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

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

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007**

Expense Recognition

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

Deferred Revenues

Deferred revenues arise when potential revenue is collected prior to being earned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating items generally result from providing services and benefits in connection the fund's principal ongoing operations. The Board's principal operating revenues are application, renewal and related fees paid by the holders of CPA certificates and firm permits. Operating expenses include the cost of services, administrative costs, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating items. Revenue from interest bearing demand deposits and certificates of deposit are reported as nonoperating revenue.

2. EQUIPMENT AND CAPITAL ASSET POLICY

Equipment purchased by the Board may be recorded as a capital asset and capitalized at historical cost. In accordance with the State's (OSRAP) accounting policy, the threshold level of \$5,000 is used for capitalizing assets; depreciation for financial reporting is computed by the straight-line method over an asset's useful life which is five years for computer equipment and six years for office equipment; no salvage value is taken into consideration for depreciation purposes. Capital assets and accumulated depreciation are recorded in the Balance Sheet. Equipment and furniture acquisitions with a cost of less than \$5,000 are charged as an expense.

B. BUDGETARY ACCOUNTING

The Board prepares its budget in accordance with the Louisiana Licensing Agency Budget Act, R.S. 39:1331-1342. The budget is prepared on a modified accrual basis of accounting. The Board retains its unexpended fund balance to fund future expenses. The budget for fiscal year ended June 30, 2007 was formally adopted by the Board on January 23, 2006.

The budget process is conducted annually and is valid for one year. The Board revises the budget if there are planned transfers of 10% or more of an expense category, or to change the total budget by 5% or more. The Board may also make less significant revisions if deemed appropriate. The budget and any revisions are reviewed by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. The original budget and amendments for the year ended June 30, 2007 are summarized below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Original approved budget:	\$ 564,420	\$ 856,369	\$ 582,668
Amendment 1 - July 19, 2006	161,280	(23,875)	
Amendment 2 - January 22, 2007	50,460	19,080	
Deficiency of revenues over expenditures	<u> </u>	<u> </u>	<u>(75,414)</u>
Final approved budget:	<u>\$ 776,160</u>	<u>\$ 851,574</u>	<u>\$ 507,254</u>

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

For reporting purposes, deposits with financial institutions include demand deposits. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Board may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments, are considered to be cash equivalents. Interest received on all deposits is considered a cash flow from investing activities.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits 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 pledged securities are held by the pledging fiscal agent banks' agents in the Board's name. The board has cash (book balance) totaling \$790,171 at June 30, 2007, which consists of cash in bank accounts and petty cash, totaling \$790,071, and \$100 respectively.

The following is a breakdown by banking institution, account no. and amount of the bank balances shown above:

<u>Banking Institution</u>	<u>Account Number</u>	<u>Amount</u>
Chase	110579607	\$771,301
Capital One	903206047	<u>52,809</u>
	Total	<u>\$824,110</u>

D. CAPITAL ASSETS

Capital assets used by the Board consist of office and computer equipment. These are included on the balance sheet and are capitalized at cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	Balance <u>6/30/2006</u>	<u>Year Ended June 30, 2007</u>		Balance <u>6/30/2007</u>
		<u>Additions</u>	<u>Retirements</u>	
Equipment	\$ 46,769	\$ 8,093	\$ (28,637)	\$ 26,225
Less accumulated depreciation	<u>(46,769)</u>	<u>(1,349)</u>	<u>28,637</u>	<u>(19,481)</u>
Capital assets, net	\$ <u> --</u>	\$ <u>6,744</u>	\$ <u> --</u>	\$ <u>6,744</u>

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007**

E. LEAVE

1. COMPENSATED ABSENCES

The Board has the following policy on annual and sick leave:

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

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise fund when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2007 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$3,116. The leave payable is recorded in the accompanying financial statements.

F. RETIREMENT SYSTEM

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Board employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007**

Vested employees eligible to begin participation in the DBP before July 1, 2006 are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after 7/1/2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit option, within qualifications and amounts define by statute. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. For the full description of the LASERS defined benefit plan, please refer to LASERS 2005 Financial Statements, specifically footnotes A-Plan Description and C-Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at: [http://www.lasers.state.la.us/PDFs/Publications and Reports/Fiscal Documents/Comprehensive Financial Reports/Comprehensive%20Financial%20Reports 05.pdf](http://www.lasers.state.la.us/PDFs/Publications%20and%20Reports/Fiscal%20Documents/Comprehensive%20Financial%20Reports/Comprehensive%20Financial%20Reports%2005.pdf)

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2007, remained at 19.1% of annual covered payroll as compared to the 19.1% and 17.8% required in fiscal years ended June 30, 2006 and 2005, respectively. The Board's contributions to the System for the years ending June 30, 2007, 2006, and 2005, were \$60,386, \$58,381, and \$56,080, respectively, equal to the required contributions for each year.

G. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all Board employees become eligible for post employment health care, and life insurance benefits if they reach normal retirement age while working for the Board. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Board. For the fiscal year ending June 30, 2007, the cost of providing those benefits for the Board's two retirees totaled \$11,361.

H. DEFERRED COMPENSATION PLAN

Employees of the Board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

I. OPERATING LEASES

The Board's total rental and lease expense for June 30, 2007 were \$84,203, which includes an operating lease for office space with a monthly rental of \$5,342 for a five year term with an option for an additional five years. The Board also has an operating lease for a copier and parking spaces, but has no capital leases. Future minimum operating lease payments under the current and proposed operating leases for the years ending June 30 are:

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007

<u>Nature of lease</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Office space	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$64,106</u>	<u>\$10,684</u>

J. LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2007 are as follows:

	<u>Year Ended June 30, 2007</u>				
	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amounts due within one year</u>
Total long-term liabilities consist of compensated absences payable	<u>\$ 38,309</u>	<u>\$ 17,862</u>	<u>\$ 11,427</u>	<u>\$ 44,743</u>	<u>\$ 3,406</u>

K. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2007, were as follows:

<u>Activity</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Enforcement – fines, cost recovery, settlements	\$ 20,972	\$ 20,972
Other	609	609
Gross receivables	21,581	21,581
Less allowance for uncollectible accounts	0	0
Receivables, net	<u>\$ 21,581</u>	<u>\$ 21,581</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 0</u>	<u>\$ 0</u>

L. DISAGGREGATION OF PAYABLE BALANCE

Accounts Payable at June 30, 2007 were as follows:

<u>Activity</u>	<u>Personal Services</u>	<u>Legal</u>	<u>Services and Supplies</u>	<u>Total Payables</u>
Operating	\$ 487	\$ 1,580	\$ 1,887	\$ 3,954
Total	<u>\$ 487</u>	<u>\$ 1,580</u>	<u>\$ 1,887</u>	<u>\$ 3,954</u>

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statements
As of and for the year ended June 30, 2007**

M. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The board recognizes the cost of providing these benefits as expenses when paid during the year. There is no liability for accrued termination benefits payable at June 30, 2007.

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2007**

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Michael A. Tham, CPA	Chairman (July 2006 – June 2007)	\$1,800
Mark P. Harris, CPA	Treasurer (July 2006) Member (August 2006– June 2007)	1,250
Susan C. Cochran, CPA	Member (July 2006 – June 2007)	1,200
Carol T. Barnes, CPA	Member (July 2006) Secretary (August 2006 – June 2007)	1,750
Michael B. Bruno, CPA	Secretary (July 2006) Treasurer (Aug 2006 – June 2007)	1,800
Desireé W. Honoré, CPA	Member (July 2006– June 2007)	1,200
Letti Lowe-Ardoin, CPA	Member (July 2006 – June 2007)	<u>1,200</u>
Total		<u>\$10,200</u>

The schedule of compensation paid to Board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Officers of the Board receive compensation of \$150 per month, and other members receive \$100 per month in accordance with Act no. 473 of 1999.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
SCHEDULE OF COMPARISON FIGURES
For the year ended JUNE 30, 2007

	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 910,857	\$ 605,359	\$ 305,498	50.47 %
Expenses	723,946	650,986	72,960	11.21 %
Capital assets	26,225	46,769	(20,544)	(43.93) %
Long-term liabilities	41,337	33,840	7,497	22.15 %
Net Assets	769,578	582,667	186,911	32.08 %

SCHEDULE 2

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

August 23, 2007

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Basic Financial Statements
Performed in Accordance With *Government Auditing Standards*

**STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the basic financial statements of the State Board of Certified Public Accountants of Louisiana, a component unit of the State of Louisiana, as of June 30, 2007, and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated August 23, 2007. Our report was modified to include an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Board of Certified Public Accountants of Louisiana's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the board's financial statements that is more than inconsequential will not be prevented or detected by the board's internal control.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management of the State Board of Certified Public Accountants of Louisiana, others within the board, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

EE:JR:PEP:dl

CPA07