

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED SEPTEMBER 14, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA



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August 24, 2005

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, 2005, and for the years ended June 30, 2005 and 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2005, and its respective changes in financial position and its cash flows for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 11 to the financial statements, on August 29, 2005, Hurricane Katrina caused catastrophic damage to New Orleans' infrastructure. New Orleans has been evacuated until further notice while the damage is assessed and emergency repairs begin. The impact of the storm on the board's future revenues and its operations is indeterminable at this time.

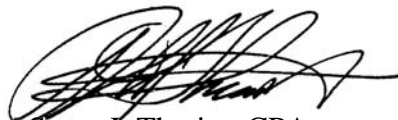
STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, 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 accounting principles generally accepted in the United States of America. 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 supplemental financial information listed in the table of contents is presented for the purpose of additional analysis and is 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

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CPA05

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, 2005. 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 11.

FINANCIAL HIGHLIGHTS

- The Board's total net assets (i.e., the amount by which total assets exceed liabilities) was in the amount of \$628,114 at the close of fiscal year 2005, which represents a \$39,981 (or 6%) decrease from last fiscal year. A decrease had been planned by the Board through the budget process, as discussed in the Financial Analysis section.
- The Board's operating revenue is generated primarily by fees for applications, licenses, and annual renewal fees and is generally fairly stable as the population of licensees and registrants has been relatively stable. Operating revenue from fines and settlements is related to Board enforcement activity and thus is more subject to fluctuation from year to year.

Total operating revenue increased by \$3,416 (or only .6%) from 2004 to 2005.

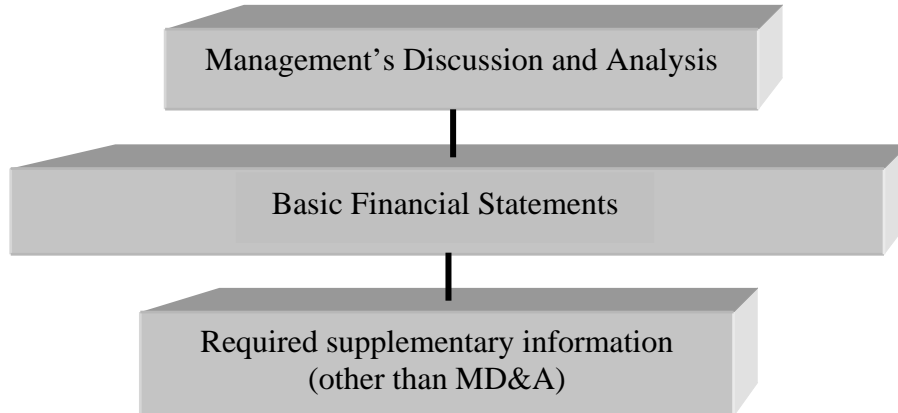
Fines and settlements, which also include recoveries of enforcement costs, represent \$8,487 (or 1.4%) of total operating revenues for this fiscal year. This represents a 68% decline as compared to \$26,129 of such revenue for last fiscal year.

- Nonoperating revenue consists of interest on certificates of deposit and money market checking accounts, and it represents 1.34% of this fiscal year's total revenues as compared to .76% of total revenues last fiscal year. Interest rates have begun to rise after being in decline for the past few years.
- Operating expenses decreased by \$8,777 (or 1.3%) from \$663,480 last fiscal year to \$654,703 this fiscal year as a result of offsetting increases and decreases in costs.

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 BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA



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 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 Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund 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 Fund 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. It includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of June 30

	Total	
	2005	2004
Current and other assets	\$678,010	\$723,495
Total assets	<u>678,010</u>	<u>723,495</u>
Current liabilities	9,680	10,194
Long-term obligations	40,216	45,206
Total liabilities	<u>49,896</u>	<u>55,400</u>
Net assets:		
Unrestricted	<u>628,114</u>	<u>668,095</u>
Total net assets	<u><u>\$628,114</u></u>	<u><u>\$668,095</u></u>

Unrestricted net assets are those that do not have any specified limitations on what these amounts may be used for. There are no "restricted" net assets as of June 30, 2005, that is, none that are not available for spending or other disposition. Therefore, the net assets are available for future operations. Net assets decreased by \$39,981, or 6%, from June 30, 2004, to June 30, 2005. The Board planned a decrease through the budget process.

In years prior to 2000, the Board had accumulated resources in anticipation of the continuing need for unusually high levels of legal representation as certain provisions of accountancy law and administrative code were being challenged in court. In recent years, after the adoption of the Louisiana Accountancy Act in 1999, there has been a decrease in such legal activity. The Board has adopted deficits in its annual budget to gradually address this change and thereby minimize disrupting operations or the ability to respond if conditions change.

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

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

	Total		
	2005	2004	2003
Operating revenues	\$606,483	\$603,067	\$584,030
Operating expenses	(654,703)	(663,480)	(637,064)
Operating loss	(48,220)	(60,413)	(53,034)
Nonoperating revenues	8,239	4,618	10,790
Decrease in net assets	<u>(\$39,981)</u>	<u>(\$55,795)</u>	<u>(\$42,244)</u>

The decrease in net assets was planned through budgeting, as the Board has sufficient economic resources to sustain the loss without disrupting operations. A number of factors contributed to the net loss. There were notable changes in both revenues and expenses. There were decreases in fines and settlements and in reinstatement fees for licenses and permits. There were increases in expenses for personal services because of higher group insurance premiums and an increase in the employer contribution rate for the state retirement plan combined with increases in payroll costs for merit increases.

CAPITAL ASSETS AND DEBTS

Capital Assets

At the end of the fiscal year, the office equipment was fully depreciated.

Debts

The Board does not have any bonds or notes outstanding 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The original budget for the year ended June 30, 2005, was not amended during the year. The original budget for the year ended June 30, 2004, was revised with one amendment decreasing budgeted revenue by \$9,000 and increasing budgeting expenditures by \$10,142 (a net increase in the budgeted deficit by \$19,142).

Actual operating revenues were over the final budgeted amounts by \$21,677 (or 3.6%) for the year ended June 30, 2005. For the year ended June 30, 2004, actual revenues were under the original budget by \$4,700 (or .8%) but over the final budget by \$4,300 (or .7%).

For the year ended June 30, 2005, expenses were less than the final budget by approximately \$58,142 (or 8.2%) due primarily to delaying planned capital expenditures, having a vacancy in one of the classified staff positions, and the net effect of other less significant variances in operating costs. For the year ended June 30, 2004, expenses were less than the final budget by approximately \$17,169 (or 2.6%).

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 reduced for the calendar year 2001 and overall licensee volume has been fairly stable since that time.
- Certified Public Accountant examination candidate volume has been lower subsequent to the conversion to computer-based testing in April 2004. This is attributed to delays by potential candidates who can now schedule exam sections by appointments, and no longer have to attend a semiannual group exam that was only available on certain days set by the Board. Having fewer exam candidates reduces 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 will continue to be monitored closely as the Board has successfully achieved its goal of maintaining a manageable level of deficit budgeting over the last few years without creating an impediment to operations and enforcement.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

The Board expects that next year's results will be similar to the current year based on the following:

- For the 2006 licensee renewal year, the Board is maintaining license application and annual renewal fees at current levels.
- CPA examination candidate volume will likely gradually increase but may take several years. Thus, revenue related to new CPA license applications, and subsequent renewals by such new licensees, is expected to remain relatively low for the next few years.
- Delinquent license fees, reinstatements from late renewals, and fines for non-compliance with continuing professional education (CPE) requirements are expected to be stable next fiscal year. Fiscal year 2005-06 will not be a "CPE reporting year," which only occurs every third calendar year. (These years, such as last occurred in FY 03-04, typically have delayed filing of renewals by licensees resulting in additional fees for late renewals and reinstatements and revenues from fines imposed on a number of licensees for failing to complete mandatory CPE.)
- Capital acquisitions of upgrades in computers, software, and telecommunications are anticipated.

The combined effect of these factors will likely cause another operating loss.

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, 2005

ASSETS

Current assets:

Cash (note 2)	\$368,055
Investments (note 3)	300,000
Receivables	6,881
Prepayments	2,675
Accrued interest	399
Total assets	<u>678,010</u>

LIABILITIES

Current liabilities:

Accounts payable	2,832
Deferred revenue	3,750
Current portion of long-term liabilities - compensated absences payable (note 9)	<u>3,098</u>
Total current liabilities	9,680

Noncurrent liabilities -

compensated absences payable (note 9)	<u>40,216</u>
Total liabilities	<u>49,896</u>

NET ASSETS

Unrestricted net assets	<u>628,114</u>
Total net assets	<u>\$628,114</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 Fund Net Assets
For the Years Ended June 30, 2005 and 2004**

	JUNE 30,	
	2005	2004
OPERATING REVENUES		
Licenses, permits, and fees	\$590,450	\$569,545
Fines and settlements	8,487	26,129
Other income	7,546	7,393
Total operating revenues	606,483	603,067
OPERATING EXPENSES		
Personal services	455,501	432,309
Professional and contractual	28,669	39,826
Acquisitions	648	6,396
Operating services and supplies	169,885	183,905
Depreciation		1,044
Total operating expenses	654,703	663,480
OPERATING LOSS	(48,220)	(60,413)
NONOPERATING REVENUES		
Interest earnings	8,239	4,618
Change in net assets	(39,981)	(55,795)
TOTAL NET ASSETS AT BEGINNING OF YEAR	668,095	723,890
TOTAL NET ASSETS AT END OF YEAR	\$628,114	\$668,095

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, 2005 and 2004**

	JUNE 30,	
	2005	2004
Cash flows from operating activities:		
Cash received from licensees and registrants	\$602,527	\$603,482
Cash received from customers	7,556	7,393
Cash paid to suppliers for goods and services	(206,781)	(231,690)
Cash payments to employees for services	(457,783)	(448,801)
Net cash (used) by operating activities	<u>(54,481)</u>	<u>(69,616)</u>
Cash flows from investing activities:		
Interest received	7,840	4,618
Purchase of certificates of deposit	(300,000)	
Net cash (used) provided by investing activities	<u>(292,160)</u>	<u>4,618</u>
Net increase (decrease) in cash	(346,641)	(64,998)
Cash at beginning of year	<u>714,696</u>	<u>779,694</u>
Cash at end of year	<u><u>\$368,055</u></u>	<u><u>\$714,696</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	<u>(\$48,220)</u>	<u>(\$60,413)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		1,044
Changes in assets and liabilities:		
(Increase) decrease in receivables	(761)	9,575
Decrease in prepayments	4	485
(Decrease) in accounts payable	(4,074)	(6,106)
(Decrease) in accrued payroll and related benefits		(16,984)
(Decrease) increase in compensated absences payable	(2,955)	5,257
Increase (decrease) in deferred revenues	1,525	(1,275)
(Decrease) in other liabilities		<u>(1,199)</u>
Total adjustments	<u>(6,261)</u>	<u>(9,203)</u>
Net cash (used) by operating activities	<u><u>(\$54,481)</u></u>	<u><u>(\$69,616)</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 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, 2005, there are 6,541 active (licensed), 3,798 inactive (unlicensed) certified public accountants, and 2,363 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 his 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 prior to 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, 2005 and 2004 were revised with one amendment, as summarized below:

	Revenues	Expenditures	Fund Balance
June 30, 2005			
Original and final approved budget	\$593,045	\$712,845	\$548,295
Amendment	NONE	NONE	NONE
Final approved budget	\$593,045	\$712,845	\$548,295
June 30, 2004			
Original approved budget	\$612,385	\$670,508	\$665,767
Amendment	(9,000)	10,142	(19,142)
Final approved budget	\$603,385	\$680,650	\$646,625

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. At June 30, 2005, all capital assets are fully depreciated.

Long-term obligations at June 30, 2005, 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, or 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 \$368,055 at June 30, 2005, which consist of the following:

Demand deposits	\$367,246
Cash on hand	709
Petty cash	<u>100</u>
Total	<u><u>\$368,055</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, 2005, the board's total bank balance of \$395,019 was fully insured and collateralized and therefore not exposed to custodial credit risk.

3. INVESTMENTS

At June 30, 2005, the board has investments totaling \$300,000, which consists of certificates of deposit with maturities over 90 days from the date of purchase.

The board's established investment policy follows the state law (R.S. 49:327), which authorizes the board to invest funds in time certificates of deposit.

A summary of the board's investment follows:

	Percentage of Investments	Fair Value	Investment Maturity Date
Type of investment - certificates of deposit	<u>100%</u>	<u>\$300,000</u>	Range from July 1, 2005, to December 1, 2005

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the board's investments as described previously. The board does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the board's \$300,000 in total investments, all of the underlying securities are held by counterparties in the name of the board.

Concentration of credit risk is the risk of loss attributed to the magnitude of a board's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to boards and commissions does not address interest rate risk. The board does not have policies to limit concentration of credit risk or interest rate risk.

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2004</u>
Equipment	\$46,769			\$46,769
Less accumulated depreciation	<u>(45,725)</u>	<u>(\$1,044)</u>		<u>(46,769)</u>
Capital assets, net	<u>\$1,044</u>	<u>(\$1,044)</u>	<u>NONE</u>	<u>NONE</u>
	Beginning Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2005</u>
Equipment	\$46,769			\$46,769
Less accumulated depreciation	<u>(46,769)</u>			<u>(46,769)</u>
Capital assets, net	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

The board followed 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, multiple-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.

Employees are required by state statute to contribute 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 board's contribution rate for the fiscal year ended June 30, 2005, was 17.8% of annual covered payroll as compared to the 15.8% and 14.1% required in fiscal years ended June 30, 2004 and 2003, respectively. The board's contributions to LASERS for the years ending June 30, 2005, 2004, and 2003, were \$56,080, \$50,854, and \$46,689, 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, 2005 and 2004, the board's costs of retiree benefits totaled \$7,274 and \$3,554, respectively.

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

7. OPERATING LEASE

The board's total rental and lease expense for June 30, 2005 and 2004, were \$74,992 and \$72,020, respectively, which includes an operating lease for office space with a monthly rental of \$4,954, which began on September 1, 1996, and was renewed for an additional three years on December 4, 2002, to extend the lease term to August 31, 2006. The board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are as follows:

<u>Nature of Operating Lease</u>	<u>FY 2006</u>	<u>FY 2007</u>
Office space	<u>\$59,448</u>	<u>\$9,908</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 statewide plan are available in the financial statements of the State of Louisiana.

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, 2005:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amounts due within one year</u>
Compensated absences payable	<u>\$41,012</u>	<u>\$23,175</u>	<u>\$17,918</u>	<u>\$46,269</u>	<u>\$1,063</u>
	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Amounts due within one year</u>
Compensated absences payable	<u>\$46,269</u>	<u>\$20,973</u>	<u>\$23,928</u>	<u>\$43,314</u>	<u>\$3,098</u>

The liability for accrued payable compensatory leave at June 30, 2005, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105, is estimated to be \$2,862. 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, 2005, 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.

11. SUBSEQUENT EVENTS

On August 29, 2005, Hurricane Katrina struck New Orleans, as well as the Louisiana, Alabama, and Mississippi Gulf coasts. As a result, the New Orleans area incurred catastrophic damage to its infrastructure. New Orleans has been evacuated until further notice while the damage is assessed and emergency repairs begin. The board's operations office is located in New Orleans. As a result, the board will be forced to relocate its operations temporarily. The impact of the storm on the board's future revenues and its operations is indeterminable at this time.

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**PER DIEM PAID BOARD MEMBERS
For the Years Ended June 30, 2005 and 2004**

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 received \$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, 2005**

The annual fiscal report presents the financial position of the State Board of Certified Public Accountants of Louisiana as of June 30, 2005, 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.

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

**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, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Carol T. Barnes, CPA - Member (April 2005 - June 2005)	\$300	
Michael B. Bruno, CPA - Member (April 2005 - June 2005)	300	
Susan C. Cochran, CPA - Member (July 2003)	1,800	\$1,750
Secretary (August 2003 - July 2004)		
Treasurer (August 2004 - June 2005)		
Mark P. Harris, CPA - Member (July 2003 - July 2004)	1,750	1,200
Secretary (August 2004 - June 2005)		
Desiree W. Honore, CPA - Member (April 2005 - June 2005)	300	
Letti Lowe-Ardoin, CPA - Member (April 2005 - June 2005)	300	
Patrick D. McCarthy, CPA - Member (July 2003 - March 2005)	900	1,200
Donald L. Moore, CPA - Treasurer (July 2003 - July 2004)	950	1,800
Member (August 2004 - March 2005)		
Richard J. Roth, Jr., CPA - Treasurer (July 2003)		850
Member (August 2003 - February 2004)		
Ernest F. Sasser, CPA - Member (July 2003 - March 2005)	900	1,200
Michael A. Tham, CPA - Chairman (July 2003 - June 2005)	1,800	1,800
	<u>\$9,300</u>	<u>\$9,800</u>
Total		

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STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Annual Financial Statements

June 30, 2005

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Schedules

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

TRANSMITTAL LETTER

August 12, 2005

Albert J. Robinson, Jr., CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Robinson:

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, 2005 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. Henderson", with a long horizontal flourish extending to the right.

Michael A. Henderson
Executive Director

Enclosure

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2005

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

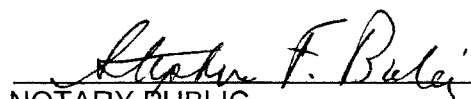
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

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, 2005 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 12th day of August, 2005.



Signature of Agency Official



NOTARY PUBLIC

Prepared by: Michael A. Henderson
Title: Executive Director
Telephone No.: 504-566-1244
Date: August 12, 2005

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005

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, 2005. 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.

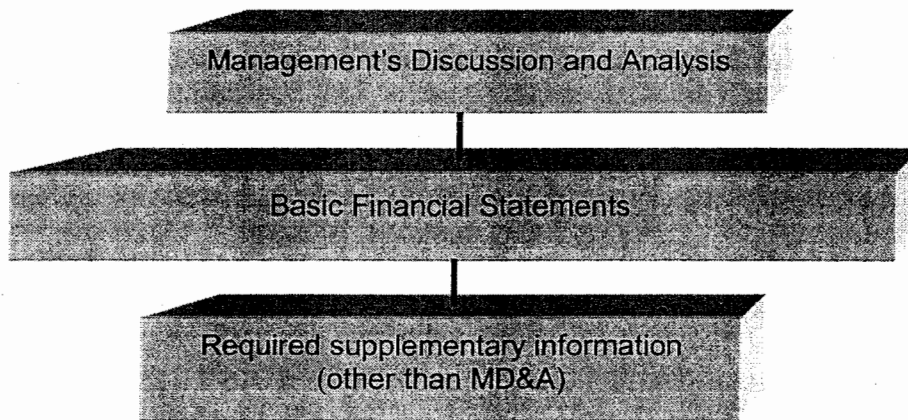
FINANCIAL HIGHLIGHTS

- The Board's assets exceeded liabilities at the close of fiscal year 2005 by \$628,114 which represents a 6% decrease from last fiscal year. The net assets decreased by \$39,981. A decrease in net assets had been planned through the budget process, as discussed below in the Financial Analysis section.
- The Board's operating revenue increased by \$3,416 (.6%). Operating revenue is generated primarily by fees for application, license and annual renewal and is generally fairly stable as the population of licensees and registrants has been relatively constant. Operating revenue from fines and settlements are subject to fluctuation from year to year as it is related to enforcement activity. Fines and settlements, which include recoveries of enforcement costs, represent \$8,487 (1.4%) of total operating revenues for this fiscal year. This represents a 68% decline as compared to \$26,129 of such revenue for last fiscal year.
- Nonoperating revenue consists of interest on certificates of deposit and money market checking accounts, and it represents 1.34% of this fiscal year's total revenues as compared to .76% of total revenues last fiscal year. Interest rates have begun to rise after being in decline for the last few years.
- Operating expenses decreased by \$8,777 (1.3%) from \$663,480 last fiscal year to \$654,703 this fiscal year as a result of offsetting increases and decreases in costs.

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, 2005



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, 2005

FINANCIAL ANALYSIS

	Balance Sheet as of June 30	
	Total	
	2005	2004
Current and other assets	\$ 678,010	\$ 723,495
Capital assets	-	-
Total assets	\$ 678,010	\$ 723,495
Other liabilities	9,680	10,194
Long-term obligations	40,216	45,206
Total liabilities	49,896	55,400
Net assets:		
Unrestricted	628,114	668,095
Total net assets	628,114	668,095
Total liabilities and net assets	\$ 678,010	\$ 723,495

Unrestricted net assets are those that do not have any specified limitations on how these amounts may be expended. There are no "restricted" net assets as of June 30, 2005, that is, none that are not available for spending or other disposition. Therefore, the net assets are available for future operations.

Net assets decreased by \$39,981, or 6%, from June 30, 2004 to June 30, 2005. The Board planned a decrease through the budget process.

In years prior to the year 2000, the Board had accumulated resources in anticipation of the continuing need for unusually high levels of legal representation as certain provisions of accountancy law and administrative code were being challenged in court. In recent years, there has been a decrease in such legal activity. The Board has adopted deficits in its annual budget in order to gradually address this change, and thereby minimize disrupting operations or the ability to respond if conditions change.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended June 30		
	Total	
	2005	2004
Operating revenues	\$ 606,483	\$ 603,067
Operating expenses	(654,703)	(663,480)
Operating loss	(48,220)	(60,413)
Non-operating revenues	8,239	4,618
Decrease in net assets	\$ (39,981)	\$ (55,795)

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

The decrease in net assets was planned through budgeting, as the Board has sufficient economic resources to sustain this decrease without disrupting operations. A number of factors contributed to the decrease. The Board intentionally has held renewal and application fees constant, thus revenue remains relatively stable while certain costs increase through inflation over time, such as, increases in expenses for personal services due to higher group insurance premiums, merit increases, and an increase in the employer contribution rate for the state retirement plan. There were other changes in operating expenses and nonoperating revenue that essentially offset each other.

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

	2005	2004
Cash and cash equivalents provided (used) by:		
Operating activities	\$ (54,481)	\$ (69,616)
Investing activities	(292,160)	4,618
Net decrease in cash and cash equivalents	(346,641)	(64,998)
Cash and cash equivalents		
Beginning of year	714,696	779,694
End of year	\$ 368,055	\$ 714,696

The decrease in cash for 2005 was partially due to the transfer of \$300,000 from the money market accounts to purchase certificates of deposit.

CAPITAL ASSETS AND DEBTS

Capital Assets

At the end of the fiscal year, there was a book balance of \$46,769 invested in capital assets that consists of office equipment that is fully depreciated.

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.

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

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, 2005 was not amended during the year. The original budget for the year ended June 30, 2004 was revised with one amendment decreasing budgeted revenue by \$9,000 and increasing budgeting expenditures by \$10,142 (a net increase in the budgeted deficit by \$19,142).

For the year ended June 30, 2005, actual revenues were over budget by \$21,677 (3.6%). For year ended June 30, 2004, actual revenues were under the original budget by \$4,700 or (.8%), but over the final budget by \$4,300 (.7%).

For the year ended June 30, 2005, expenses were under budget by approximately \$58,142 (8.2%) due primarily to delaying capital expenditures, having a vacancy in one of the classified staff positions, and the net effect of other less significant variances in operating costs. For the year ended June 30, 2004, expenses were under the final budget by approximately \$17,169 (2.6%).

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 reduced for the calendar year 2001 and overall licensee volume has been fairly stable since that time.
- CPA examination candidate volume has been lower by approximately 33% subsequent to the conversion to computer based testing in April 2004. This is attributed to delays by potential candidates who can now schedule exam sections by appointments, and no longer have to attend a semi-annual group exam that was only available on certain days set by the Board. Having fewer exam candidates reduces 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 toward online processing of annual license and registration renewals.
- Fees will continue to be monitored closely as the Board has successfully achieved its goal of maintaining a manageable level of deficit budgeting over the last few years without creating an impediment to operations and enforcement.

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2005**

The Board expects that next fiscal year's results will be similar to the current year based on the following:

- For the 2006 licensee renewal year, the Board is maintaining application and annual renewal fees at current levels.
- CPA exam candidate volume will likely gradually increase, but this may take several years. Thus, revenue related to new CPA license applications, and subsequent renewals by such new licensees, is expected to remain relatively low for the next few years.
- Delinquent license fees, reinstatements from late renewals and fines for non-compliance with continuing professional education (CPE) requirements are expected to be stable next fiscal year. Fiscal year 2005-06 will not be a "CPE reporting year", which only occurs every third calendar year. (These years, such as last occurred in FY 03-04, typically have delayed filing of renewals by licensees resulting in additional fees for late renewals and reinstatements and revenues from fines imposed on a number of licensees for failing to complete mandatory CPE.)
- Capital acquisitions of upgrades in computers, software, and telecommunications are anticipated.

The combined effect of these factors is expected to cause another operating loss (decrease in net assets). If this is the case, application and renewal fees may need to be increased for future license renewal years.

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, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C)	\$ 368,055
Investments (Note C)	300,000
Receivables, net (Note K)	6,881
Prepayments	2,675
Accrued Interest	399
Total current assets	<u>678,010</u>

NONCURRENT ASSETS:

Capital assets (Note D):	
Equipment	46,769
Less accumulated depreciation	<u>(46,769)</u>
Total noncurrent assets	-
Total assets	<u><u>\$ 678,010</u></u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable (Note L)	\$ 2,832
Deferred revenue	3,750
Current portion of long-term liabilities:	
Compensated absences payable (Note J)	<u>3,098</u>
Total current liabilities	<u>9,680</u>

NONCURRENT LIABILITIES:

Compensated absences payable (Note J)	<u>40,216</u>
Total long-term liabilities	<u>40,216</u>
Total liabilities	<u>49,896</u>

NET ASSETS

Unrestricted net assets	<u>628,114</u>
Total net assets	<u>628,114</u>
Total liabilities and net assets	<u><u>\$ 678,010</u></u>

The accompanying notes are an integral part of this 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, 2005

OPERATING REVENUES	
Licenses, permits and fees	\$ 590,450
Fines and settlements	8,487
Other Income	7,546
Total operating revenues	<u>606,483</u>
OPERATING EXPENSES	
Personal services	455,501
Professional and contractual	28,669
Acquisitions	648
Other	169,885
Total operating expenses	<u>654,703</u>
Operating loss	<u>(48,220)</u>
NONOPERATING REVENUES	
Interest earnings	8,239
Total nonoperating revenues	<u>8,239</u>
Change in net assets	(39,981)
Total net assets - beginning	<u>668,095</u>
Total net assets - ending	<u>\$ 628,114</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, 2005

	<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>654,703</u>	\$ <u>606,483</u>	\$ <u>--</u>	\$ <u>--</u>
				\$ <u>(48,220)</u>
General Revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				8,239
Miscellaneous				
Special Items				
Transfers				
Total general revenues, special items, and transfer				<u>8,239</u>
Change in net Assets				<u>(39,981)</u>
Net assets - beginning				<u>668,095</u>
Net assets - ending				\$ <u><u>628,114</u></u>

The accompanying notes are an integral part of this 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, 2005

Cash flows from operating activities	
Cash received from licensees and registrants	\$ 602,527
Cash received from customers	7,556
Cash payments to suppliers for goods and services	(206,781)
Cash payments to employees for services	<u>(457,783)</u>
Net cash used by operating activities	\$ (54,481)
Cash flows from noncapital financing activities	
	0
Cash flows from capital and related financing activities	
	0
Cash flows from investing activities	
Interest earned on money market deposit accounts	3,431
Interest earned on investments	4,409
Purchase of investments	<u>(300,000)</u>
Net cash used by investing activities	<u>(292,160)</u>
Net increase (decrease) in cash and cash equivalents	(346,641)
Cash and cash equivalents at beginning of year	<u>714,696</u>
Cash and cash equivalents at end of year	<u>\$ 368,055</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (48,220)
Adjustments to reconcile loss	
to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in receivables	(761)
Decrease in prepayments	4
Decrease in accounts payable	(4,074)
Decrease in compensated absences payable	(2,955)
Increase in deferred revenues	<u>1,525</u>
Total adjustments	<u>(6,261)</u>
Net cash used by operating activities	<u>\$ (54,481)</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 Statement
As of and for the year ended June 30, 2005**

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 employees. As of June 30, 2005, there were 6,541 active (licensed), 3,798 inactive (unlicensed) certified public accountants, and 2,363 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 policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by GASB. Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements. MD&A is supplementary information under GASB that is not required to be included in the Board's Annual Financial Report.

The 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:

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
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As of and for the year ended June 30, 2005**

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.

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 or received 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, 2005 was formally adopted by the Board on January 26, 2004.

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

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statement
As of and for the year ended June 30, 2005

Budget Committee, a committee of the Louisiana Legislature. The original budget without amendments for the year ended June 30, 2005 is summarized below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Original and Final approved budget:	\$ 593,045	\$ 712,845	\$ 548,295

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 deposits at June 30, 2005, were secured as follows:

	<u>Deposit in Bank Accounts</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet *	<u>\$367,246</u>	<u>\$300,000</u>	<u>\$667,246</u>

*Petty cash and cash on hand total \$100 and \$709 respectively and are also included on the Balance Sheet.

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>
Bank One	110579607	\$269,763
Hibernia	903206047	125,256
Hibernia	Certificates of Deposit	<u>300,000</u>
	Total	<u>\$695,019</u>

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statement
As of and for the year ended June 30, 2005

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 are 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 6/30/2004	Year Ended June 30, 2005		Balance 6/30/2005
		Additions	Retirements	
Equipment				
Less accumulated depreciation	\$ 46,769	\$ --	\$ --	\$ 46,769
Capital assets, net	46,769			46,769
	\$ --	\$ --	\$ --	\$ --

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, 2005 computed in accordance with the Codification of Governmental Accounting and

**STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statement
As of and for the year ended June 30, 2005**

Financial Reporting Standards, Section C60.105 is estimated to be \$2,862. 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. 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. The System also provides death and disability benefits. 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. 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.

Members are required by state statute to contribute 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, 2005, increased to 17.8% of annual covered payroll from the 15.8 % and 14.1% required in the fiscal years ended June 30, 2004 and 2003 respectively. The Board's contributions to the System for the years ending June 30, 2005, 2004, and 2003, were \$56,080, \$50,854, and \$46,689, respectively, equal to the required contributions for each year.

G. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all Board employees become eligible for post employment 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 whose premiums are paid jointly by the employee and the Board. For 2005, the cost of providing those benefits for the Board's two retirees totaled \$7,274.

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.

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statement
As of and for the year ended June 30, 2005

I. LEASES

OPERATING LEASES

The Board's total rental and lease expense for June 30, 2005 were \$74,992, which includes an operating lease for office space with a monthly rental of \$4,954, which began on September 1, 1996 and was renewed for an additional three years on December 4, 2002 to extend the lease term to August 31, 2006. The Board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are:

<u>Nature of lease</u>	<u>FY2006</u>	<u>FY2007</u>
Office space	<u>\$59,448</u>	<u>\$9,908</u>

J. LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended June 30, 2005 are as follows:

	<u>Year Ended June 30, 2005</u>				<u>Amounts due within one year</u>
	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	
Total long-term liabilities consist of compensated absences payable	<u>\$ 46,269</u>	<u>\$ 20,973</u>	<u>\$ 23,923</u>	<u>\$ 43,314</u>	<u>\$ 3,098</u>

K. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2005, were as follows:

<u>Activity</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Enforcement - fines, cost recovery, settlements	\$ 3,924	\$ 3,924
Other	<u>2,957</u>	<u>2,957</u>
Gross receivables	6,881	6,881
Less allowance for uncollectible accounts	<u>0</u>	<u>0</u>
Receivables, net	<u>\$ 6,881</u>	<u>\$ 6,881</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 0</u>	<u>\$ 0</u>

STATE OF LOUISIANA
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
OFFICE OF THE GOVERNOR
Notes to the Financial Statement
As of and for the year ended June 30, 2005

L. DISAGGREGATION OF PAYABLE BALANCE

Accounts Payable at June 30, 2005 were as follows:

<u>Activity</u>	<u>Vendors</u>	<u>Salaries</u>	<u>Other Payables</u>	<u>Total Payables</u>
Operating	\$ <u>394</u>	\$ <u>550</u>	\$ <u>1883</u>	\$ <u>2,832</u>
Total	\$ <u><u>394</u></u>	\$ <u><u>550</u></u>	\$ <u><u>1883</u></u>	\$ <u><u>2,832</u></u>

M. SUBSEQUENT EVENTS

On August 29, 2005, Hurricane Katrina struck New Orleans, as well as the Louisiana, Alabama, and Mississippi Gulf coasts. As a result, the New Orleans area incurred catastrophic damage to its infrastructure. New Orleans has been evacuated until further notice while the damage is assessed and emergency repairs begin. The board's operations office is located in New Orleans. As a result, the board will be forced to relocate its operations temporarily. The impact of the storm on the board's future revenues and its operations is indeterminable at this time.

**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, 2005**

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Michael A. Tham, CPA	Chairman (Jul 2004 - Jun 2005)	\$1,800
Mark P. Harris, CPA	Member (Jul 2004) Secretary (Aug 2004-June 2005)	1,750
Susan C. Cochran, CPA	Secretary (July 2004) Treasurer (Aug 2004 - Jun 2005)	1,800
Donald L. Moore, CPA	Treasurer (July 2004) Member (Aug 2004 - March 2005)	950
Patrick D. McCarthy, CPA	Member (Jul 2004 - Mar 2005)	900
Ernest F. Sasser, CPA	Member (Jul 2004 - Mar 2005)	900
Carol T. Barnes, CPA	Member (Apr 2005 - Jun 2005)	300
Michael B. Bruno, CPA	Member (Apr 2005 - Jun 2005)	300
Desireé W. Honoré, CPA	Member (Apr 2005 - Jun 2005)	300
Letti Lowe-Ardoin, CPA	Member (Apr 2005 - Jun 2005)	<u>300</u>
Total		<u>\$9,300</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.

SCHEDULE 1

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, 2005

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 614,722	\$ 607,685	\$ 7,037	1.16%
Expenses	654,703	663,480	(8,777)	-1.32%
Capital assets	46,769	46,769	-	0.00%
Long-term debt	40,216	45,206	(4,990)	-11.04%
Net Assets	628,114	668,095	(39,981)	-5.98%

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 reportable conditions 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



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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August 24, 2005

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 financial statements of the State Board of Certified Public Accountants of Louisiana, a component unit of the State of Louisiana, as of June 30, 2005, and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated August 24, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

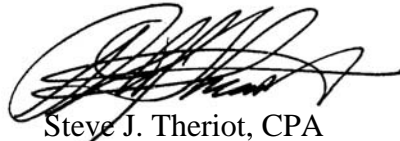
As part of obtaining reasonable assurance about whether the State Board of Certified Public Accountants of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement

STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANTS OF LOUISIANA

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 the State Board of Certified Public Accountants of Louisiana and its management 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

FM:JR:PEP:dl

CPA05