

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

FINANCIAL REPORT

December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-21-06

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

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

State Licensing Board for Contractors
Governor's Office
State of Louisiana

We have audited the accompanying financial statements of the State Licensing Board for Contractors, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the State Licensing Board for Contractors' management. Our responsibility is to express an opinion on these basic 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 Licensing Board for Contractors, as of December 31, 2005, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated May 11, 2006 on our consideration of the State Licensing Board for Contractors' internal control over financial reporting and 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 Accounting Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 5 and page 17, respectively, are not a required part of the financial statements but are supplementary information required by 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 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 financial statements taken as a whole. The schedule on page 19 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the State Licensing Board for Contractors. 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 financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State Licensing Board for Contractors' financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended December 31, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts.

FINANCIAL HIGHLIGHTS

The Board's net assets increased by \$ 635,347 or 15.5%

The operating revenues of the Board increased \$ 909,266 or 29.7%

The non-operating revenues of the Board increased \$ 48,204 or 147%

The operating expenses of the Board increased \$ 203,728 or 6.3%

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Supplementary Information. The financial statements also include notes that provide more detail of the information included in the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer current and non current financial information about the activities of the Board.

The Statement of Net Assets (p. 6) presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (p. 7) presents information on how the Board's assets changed as a result of current year operations.

The Statement of Cash Flows (p. 8) presents information on how the Board's cash changed as a result of current year activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Current Year as of and for the year ended December 31, 2005	Prior Year as of and for the year ended December 31, 2004
Current assets	\$ 4,469,085	\$ 3,627,496
Capital assets	2,514,164	2,585,507
Total assets	<u>6,983,249</u>	<u>6,213,003</u>
Current liabilities	2,161,176	2,050,179
Noncurrent liabilities	95,707	71,805
Total liabilities	<u>2,256,883</u>	<u>2,121,984</u>
Invested in capital assets	2,514,164	2,585,507
Unrestricted	2,212,202	1,505,512
Total net assets	<u>\$ 4,726,366</u>	<u>\$ 4,091,019</u>
Operating revenues	\$ 3,972,915	\$ 3,063,649
Operating expenses	<u>3,418,868</u>	<u>3,215,140</u>
Operating income (loss)	554,047	(151,491)
Non-operating revenues	<u>81,300</u>	<u>33,096</u>
Change in net assets	<u>\$ 635,347</u>	<u>\$ (118,395)</u>

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

A comparison of budget to actual operations is a required supplementary statement and is presented in Statement D on page 17. Total revenue was \$313,649 above budgeted amounts; this is a result of adding processing fees for licenses and the increase in contractors obtaining licenses after the devastation caused by hurricanes Katrina and Rita. Total expenditures were \$211,469 below budgeted amounts; this is a result of efforts made by the Board to decrease overall spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

The Board's investment in capital assets as of December 31, 2005, amounts to \$2,514,164 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and operating facilities, office, furniture and equipment and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 2.8%.

Major capital asset events during the current fiscal year included the following:

The Board purchased a new Toshiba phone system at a cost of \$23,718.

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

	<u>2005</u>	<u>2004</u>
Land and improvements	\$ 567,666	\$ 569,880
Buildings and operating facilities	1,807,273	1,860,428
Office, furniture and equipment	134,840	145,554
Vehicles	4,385	9,645
	<u>\$ 2,514,164</u>	<u>\$ 2,585,507</u>

Additional information on the Board's capital assets can be found in note 3 on page 12.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Licensing Board for Contractors, P O Box 14419, Baton Rouge LA 70898-4419.

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

Statement of Net Assets

December 31, 2005

ASSETS**Current Assets**

Cash and cash equivalents	\$ 4,452,665
Other current assets	<u>16,420</u>
Total current assets	<u>4,469,085</u>

Noncurrent Assets

Property and equipment, net of accumulated depreciation of \$ 495,858	<u>2,514,164</u>
Total Assets	<u>6,983,249</u>

LIABILITIES**Current Liabilities**

Accounts payable	124,302
Refunds payable	103,284
Due to Contractor's Educational Trust Fund	98,455
Compensated absences payable	86,205
Deferred revenues	<u>1,748,930</u>
Total current liabilities, payable from current assets	<u>2,161,176</u>

Noncurrent Compensated Absences95,707**Total Liabilities**2,256,883**NET ASSETS**

Invested in capital assets	2,514,164
Unrestricted	<u>2,212,202</u>
Total Net Assets	<u>\$ 4,726,366</u>

**STATE LICENSING BOARD FOR CONTRACTORS,
GOVERNOR'S OFFICE, STATE OF LOUISIANA****Statement of Revenues, Expenses and
Changes in Fund Net Assets****Year Ended December 31, 2005**

Operating Revenues	
Licenses, permits and fees	\$ 3,972,915
Operating Expenses	
Personnel services	2,479,656
Travel	165,370
Operating services	493,393
Supplies	61,589
Professional services	124,733
Depreciation	94,127
Total operating expenses	<u>3,418,868</u>
Operating Revenue in Excess of Operating Expense	<u>554,047</u>
Non-Operating Revenues	
Investment income	<u>81,300</u>
Change in Net Assets	635,347
Total Net Assets, Beginning	<u>4,091,019</u>
Total Net Assets, Ending	<u>\$ 4,726,366</u>

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

Statement C

Statement of Cash Flows

Year Ended December 31, 2005

Cash Flows From Operating Activities	
Cash received from applicants	\$ 4,194,655
Cash paid to employees for services	(2,468,299)
Cash paid to suppliers for goods and services	<u>(949,354)</u>
Net Cash Used In Operating Activities	<u>777,002</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	<u>(23,718)</u>
Cash Flows From Investing Activities	
Interest received on investments	<u>81,300</u>
Net Increase In Cash And Cash Equivalents	834,584
Cash and Cash Equivalents	
Beginning of year	<u>3,618,081</u>
End of year	<u>\$ 4,452,665</u>
Reconciliation of Operating Income to Net Cash Provided By Operations	
Operating expenses in excess of operating revenues	\$ 554,047
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	94,127
Loss on property disposition	934
Increase in other current assets	(7,005)
Decrease in compensated absences payable	(7,335)
Increase in refunds payable	100,996
Increase in accounts payable	18,692
Increase in deferred revenue	126,815
Decrease in due to Contractor's Educational Trust Fund	<u>(104,269)</u>
Net Cash Used In Operating Activities	<u>\$ 777,002</u>

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

Notes to Financial Statements

December 31, 2005

1. Nature of Activities and Significant Accounting Policies

The Louisiana State Licensing Board for Contractors (Board) is a component unit of the State of Louisiana created within the Governor's office, as provided by Louisiana Revised Statute (R.S.) 37:2150. The Board is statutorily composed of 15 members appointed by the governor, who serve terms of two to six years. In addition, there are also 5 members of the Residential Building Contractors Subcommittee appointed by the Governor. The Board is charged with the responsibility of protecting the health, safety, and general welfare of all persons associated with those in the contracting vocation and affording such persons effective and practical protection against incompetent, inexperienced, unlawful, and/or fraudulent acts of contractors. Furthermore, legislative intent is that the Board shall monitor construction projects to ensure compliance with the licensure requirements. The Board's operations are financed with self-generated revenues, such as license, examination, and other related fees. As of December 31, 2005, there were approximately 19,233 licensed contractors in the state. The Board has 61 employees.

Basis of Presentation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Board has the option to apply FASB pronouncements issued after that date to its business-type activities, the Board has chosen not to do so.

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 of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the state's boundaries. The accompanying financial statements present only the activity of the Board. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

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

Notes to Financial Statements, Continued

December 31, 2005

Basis of Accounting. In accordance with *Statement of Governmental Accounting Standard 34*, the Board presents a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

In 2004, House Bill 1420 passed to enact R.S. 37:2156(c)(3) which provided that the Board shall include on each license renewal form issued to a contractor an optional election, whereby the contractor may choose to donate additional funds to a specified public university within Louisiana that offers an accredited, degreed program in the field of construction management. Any such donated funds received by the Board shall be remitted to the university chosen by the contractor. Any such donated funds received by the university shall be used solely for the benefit of their construction management programs. At December 31, 2005 an asset and liability for \$37,595 exists for this purpose.

The Statement of Revenues, Expense and Changes in Fund Net Assets demonstrates the degree to which the direct expenses of the Board are offset by licenses, permits and fees.

The financial statements report all activities of the Board using the current financial resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principle operations of the Board. Operating revenues consist primarily of licenses, permits and fees. Non-operating revenues consist of those revenues that are related to investing type activities.

Budget Practices. Annually, the Board is required to submit a proposed budget to the Joint Legislative Committee on the Budget, the Legislative Fiscal Office, the Governor's Office, and the Office of the Legislative Auditor, as prescribed by R.S. 39:1335. The budget for fiscal year ended December 31, 2005, was adopted by the Board on December 16, 2004, and is prepared and reported on a modified accrual basis of accounting. Although budgeted amounts lapse at year end, the Board retains its unexpended fund balance to fund expenditures of succeeding years.

Cash, Cash Equivalents, and Investments. Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit. Under state law, the Board may deposit funds in a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Board may invest in time

**STATE LICENSING BOARD FOR CONTRACTORS,
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Notes to Financial Statements, Continued

December 31, 2005

certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principle offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificates of accounts of federal or state chartered credit unions.

Under state law, the Board is also authorized to invest in direct U.S. Treasury obligations.

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

2. Cash and Cash Equivalents

Petty cash	\$ 200
Insured deposit accounts	1,852,465
Certificates of deposit	<u>2,600,000</u>
Total	<u>\$ 4,452,665</u>

Deposits are stated at cost, which approximates fair value. 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. At December 31, 2005, the Board has \$1,913,048 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,813,048 of pledged securities held by a custodial bank in the name of the Board (GASB Category 3).

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

Notes to Financial Statements, Continued

December 31, 2005

3. Property and Equipment

The accompanying statements reflect property and equipment used by the Board in daily operations. Those assets are recorded at cost. A summary of changes in property and equipment with acquisition costs of \$5,000 or greater for the year ended December 31, 2005 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	\$ 577,719	\$ -	\$ -	\$ 577,719
Buildings and operating facilities	2,126,203	-	-	2,126,203
Office, furniture and equipment	245,232	23,718	16,022	252,928
Vehicle	53,172	-	-	53,172
	<u>3,002,326</u>	<u>23,718</u>	<u>16,022</u>	<u>3,010,022</u>
Less accumulated depreciation	416,819	94,126	15,087	495,858
	<u>\$ 2,585,507</u>	<u>\$ (70,408)</u>	<u>\$ 935</u>	<u>\$ 2,514,164</u>

The depreciable assets are depreciated using the straight-line method of allocating asset costs over the following useful lives.

Computer equipment	5 years
Office furniture and equipment	6 years
Vehicles	5 years
Buildings	40 years
Land improvements	20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Notes to Financial Statements, Continued

December 31, 2005

4. Retirement System

Plan Description. Substantially all employees of the Board are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Board (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 19.1 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Board's employer contributions to LASERS for the years ending December 31, 2005, 2004 and 2003 were \$302,865, \$262,141, and \$222,274, respectively, and were equal to the required contributions for each year.

In addition, several employees participate in the Social Security System. Employer contributions to Social Security for the year ended December 31, 2005 were \$5,775.

5. Postretirement Health Care and Life Insurance Benefits

The Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board's employees become eligible for these 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 monthly premiums are paid jointly by the employee and the Board. The Board recognizes the cost of providing these benefits (Board's portion of premiums) as an expenditure when paid during the year. For the year ended December 31, 2005, the cost of benefits for 22 retirees totaled \$ 84,345.

**STATE LICENSING BOARD FOR CONTRACTORS,
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Notes to Financial Statements, Continued

December 31, 2005

6. Compensated Absences

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

The following are the changes in compensated absences during the year:

Balance at January 1, 2005	\$ 189,247
Additions	78,870
Deductions	<u>86,205</u>
Balance at December 31, 2005	<u>181,912</u>
Less amount classified as current	<u>86,205</u>
Non current	<u>\$ 95,707</u>

7. Litigation and Claims

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

8. Deferred Revenue

Deferred revenue of \$1,748,930, as reflected on Statement A, represents payments received from applicants for licenses for period subsequent to December 31, 2005.

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

Notes to Financial Statements, Continued

December 31, 2005

9. Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

10. Due to Contractor's Educational Trust Fund (CETF)

In 1991, the Board established the Contractor's Educational Trust Fund (CETF) with an initial transfer of \$2.9 million of surplus board funds. CETF was established to promote, encourage, and further the accomplishment of all activities that are or may benefit all persons engaged or interested in the construction vocation and the affording of such persons of effective and practical education, training, and instructions in the art of proper and lawful construction contracting in and for the State of Louisiana and other such activities that have a public purpose. The initial transfer of \$2.9 million was used to fund various endowed professorships and chairs at Louisiana's colleges and universities for construction-related education. These funds were partially matched by the Board of Regents.

R.S. 37:2162 requires the Board to remit any fines and penalties collected to the CETF upon the completion of the financial audit. CETF is administered by a group of trustees and continues to fund educational programs related to the construction vocation.

The Attorney General of Louisiana, in Attorney General Opinion 01-0264, has concluded that once the fines are remitted to the CETF, all of the Board's title and interest in the fines are transferred to the CETF trustees and the Board's fiduciary capacity over the fines ceases.

11. Refunds Payable

During the renewal processing of licensees in 2005, a software system (CAVU) update was initiated by the vendor. The update inadvertently calculated an excessive \$95 fee to a batch of 965 renewal certificates. Upon receipt, the license holders submitted the additional fee to obtain their renewal license for 2006. The application and accounting departments discovered the problem while posting the initial batches of renewals received after initial mailing. The vendor was notified and corrective action was taken by the CAVU vendor. The refunds have been reconciled and the State Licensing Board for Contractors is in the process of refunding the fees.

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

Required Supplementary Information

December 31, 2005

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

Year Ended December 31, 2005

Statement of Revenues, Expenditures and
Changes in Fund Net Assets

Budget (Legal Basis) and Actual - General Fund

	Budgeted Amounts		Actual (Budgetary Basis)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Licenses, permits and fees	\$ 3,708,066	\$ 3,708,066	\$ 3,972,915	\$ -	\$ 3,972,915
Investment income	32,500	32,500	81,300	-	81,300
Total revenues	3,740,566	3,740,566	4,054,215	-	4,054,215
Expenditures					
Personnel Services	2,452,541	2,575,057	2,486,991	(7,335) (1)	2,479,656
Travel	184,600	184,600	165,370	-	165,370
Operating services	455,225	537,255	493,393	-	493,393
Supplies	44,000	51,500	49,794	11,795 (2)	61,589
Professional services	185,551	153,551	124,733	-	124,733
Capital outlay	75,800	65,300	35,513	(35,513) (2)	-
Depreciation	-	-	-	94,127 (2)	94,127
Total expenditures	3,397,717	3,567,263	3,355,794	63,074	3,418,868
Excess of Revenues Over Expenditures	342,849	173,303	698,421	(63,074)	635,347
Net Assets					
Beginning			1,694,758	2,396,261 (3)	4,091,019
Ending			\$ 2,393,179	\$ 2,333,187	\$ 4,726,366

Explanation of differences:

- (1) Compensated absences are budgeted on a modified accrual basis. Under generally accepted accounting principals these costs are recognized when the benefit is earned.
- (2) Capital assets are recognized for budget purposes when purchased. Under generally accepted accounting principals, such capital assets are recognized as long-lived assets and depreciation is recognized over the life of the assets, as well as any loss on disposal.
- (3) The amount reported as "Net Assets" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund net assets due to the cumulative effect of transactions such as those described above.

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

Schedules

December 31, 2005

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

Schedule of Per Diem Paid Board Members

Year Ended December 31, 2005

	Days	Amount
State Licensing Board for Contractors		
Phyllis Adams	4	\$ 300
Tara Brown	15	1,125
Jimmie Cascio	3	225
George Crain	6	450
Don Descant	8	600
Nelson Dupuy	15	1,125
Arthur Favre	11	825
David Gallo	9	675
Jonathan Holloway	9	675
Donald Lambert	38	2,850
Garland Meredith	8	600
Byron Talbot	12	900
Kirk Williams	10	750
Bertrand Wilson	8	600
Victor Weston	56	4,200
Residential Building Contractors Subcommittee		
Patrick Colvin	6	450
Richard Darling	9	675
Susan Pellegrin	4	300
Ronald Perrin	17	1,275
Johnny Reeves	8	600
		<u>\$ 19,200</u>

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 37:2154 and are included in the expenditures of the General Fund. Board members are paid \$75 per day for board meetings and official business.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

State Licensing Board for Contractors
Governor's Office
State of Louisiana

We have audited the accompanying financial statements of the State Licensing Board for Contractors as of and for the year ended December 31, 2005, and have issued our report thereon dated May 11, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the State Licensing Board for Contractors' 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of compliance findings and recommendations as item 2005-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Licensing Board for Contractors' 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the State

Licensing Board for Contractors' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 2005-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the State Licensing Board for Contractors 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.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

May 11, 2006

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

Schedule of Compliance Findings and Recommendations

December 31, 2005

2005-1 Noncompliance with State Travel Regulations

Condition. The State Licensing Board for Contractors made reimbursements for expenses that did not comply with the state travel regulations. The Division of Administration's Policy and Procedure Memorandum (PPM) 49, *Travel Rules and Regulations*, require:

- That all special meals have prior approval from the commissioner of administration in order to be reimbursed.
- That board members will be reimbursed on an actual expense basis provided a receipt is given and that requests shall not be extravagant and will be reasonable in relationship to the purpose of travel.

Criteria. A review of 39 expense and travel vouchers totaling \$20,250 revealed the following exceptions totaling \$2,490:

- A total of \$586 was paid to a board member for special meals without prior approval.
- A total of \$1,904 was paid to a board member for expenses from a credit card statement.

Effect. The Board is not in compliance with PPM 49.

Cause. The State Licensing Board for Contractors employee's and board members do not have a proper understanding of the requirements for reimbursement as they relate to PPM 49.

Recommendation. The State Licensing Board for Contractors should develop and implement policies and procedures that will ensure compliance with state travel regulations. This development should include the education of the employee's and board members on regulations related to PPM 49.

Auditee Response. The Executive Director and Members of the Board will develop and implement policies and procedures that will ensure compliance with state travel regulations.

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

*Schedule 2
continued*

Schedule of Compliance Findings and Recommendations, Continued December 31, 2005

2005-2 Over billing of renewal fees

Condition. The State Licensing Board for Contractors inadvertently overcharged contractors for license renewal.

Criteria. Renewal applications should be reviewed for accuracy prior to mailing.

Effect. Certain contractors were overcharged \$95 for renewal of licenses.

Cause. The software system (CAVU) used by the Board was updated by the vendors of the software. This update caused the system to incorrectly charge an additional fee.

Recommendation. The State Licensing Board for Contractors should review the process designed to test system updates to verify that the system is working accurately.

Auditee Response. Management has established a policy requiring a test batch of licensees to be conducted upon software updates of the CAVU system. In addition, an internal control policy has been established to ensure that all instances of extraordinary events, such as the refund issue, must be resolved within 45 days of occurrence and must be quantified for resolution as soon as reasonably practical

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

*Independent Auditor's Comments on Resolution of
Prior Audit Findings*

December 31, 2005

The matter listed in the Schedule of Compliance Findings as 2005-1 related to special meals is a repeat of prior year's findings. There are no other matters listed in the prior year that have been not corrected by the State Licensing Board for Contractors.