# LOUISIANA MOTOR VEHICLE COMMISSION
# OFFICE OF THE GOVERNOR
# STATE OF LOUISIANA

**Financial Statements with Supplementary Information**

**June 30, 2012**

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
**STATE OF LOUSIANA**

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GRIFFIN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Griffin, CPA
Robert J. Furman, CPA

# Independent Auditors' Report

Board of Directors
Louisiana Motor Vehicle Commission
Office of the Governor
State of Louisiana
Metairie, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana, as of June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the Louisiana Motor Vehicle Commission's 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, the *Louisiana Governmental Audit Guide*, 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 basic financial statements are free of material misstatement. And audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Motor Vehicle Commission as of June 30, 2012, 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 our report dated August 29, 2012, on our consideration of the Louisiana Motor Vehicle Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules and the Division of Administration reporting package listed in the table of contents are presented for purposes of additional analysis and not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Griffin & Company, LLC*

August 29, 2012

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**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
**STATE OF LOUISIANA**

**Management's Discussion & Analysis**

**June 30, 2012**

**The Management's Discussion and Analysis of the Louisiana Motor Vehicle Commission's financial performance presents a narrative overview and analysis of the Commission's financial activities for the twelve months ending June 30, 2012. 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 Commission's financial statements.**

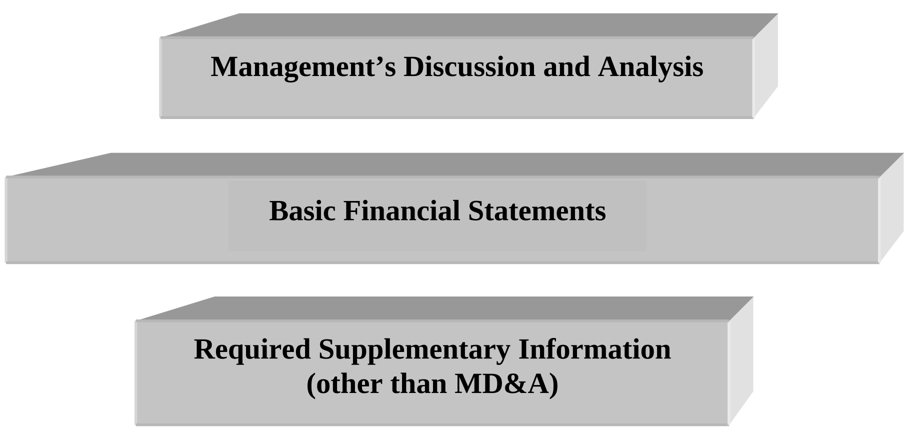
## Financial Highlights

- **The Commission's assets exceeded its liabilities at the close of fiscal year 2012 by $1,229,696. This represents an increase to net assets of $382,966 or 45.23% compared to prior year.**

- **The Commission's revenue went from $2,055,485 to $2,362,215 for an increase of $306,730 or 14.92%. This is primarily due to the Commission beginning the process of converting the majority of its licensees to a two year license period. This is being phased in over the last and current fiscal years as licenses are renewed. Net results from activities increased from gain of $188,978 to a gain of $382,966 for an increase of $193,988 or 102.65%. This is primarily due to the increase in revenues mentioned above.**

## Overview of the Financial Statements

**The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.**




**These financial statements consist 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.**

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
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**Management's Discussion & Analysis**

**June 30, 2012**

*Basic Financial Statements*

**The basic financial statements present information for the Commission 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 and the Statement of Revenues, Expenses, & Changes in Fund Net Assets, and the Statement of Cash Flows.**

**The Statement of Net Assets presents the 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 Commission is improving or deteriorating.**

**The Statement of Revenues, Expenses, & Changes in Fund Net Assets presents information showing how the Commission'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 presents information showing how the Commission'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.**

**Financial Analysis of the Entity**

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

| | 2012 | 2011 |
|---|---|---|
| Current and other assets | $ 1,867,648 | 1,344,860 |
| Capital assets | 395,150 | 363,076 |
| Total assets | 2,262,798 | 1,707,936 |
| Current liabilities | 717,958 | 562,425 |
| Long-term debt outstanding | 315,144 | 298,781 |
| Total liabilities | 1,033,102 | 861,206 |
| Net assets: | | |
| Invested in capital assets, net of debt | 395,150 | 363,076 |
| Unrestricted | 834,546 | 483,654 |
| Total net assets | $ 1,229,696 | 846,730 |

**Unrestricted net assets are those that do not have any limitations on how these amounts may be spent.**

**Net assets of the Commission increased by $382,966 or 45.23%, from June 30, 2011 to June 30, 2012.**

**Statement of Revenues, Expenses, & Changes in Net Fund Assets**
**For the twelve months ending June 30**

| | 2012 | 2011 |
|---|---|---|
| Operating revenues | $ 2,361,133 | 2,054,133 |
| Operating expenses | 1,979,249 | 1,866,507 |
| Operating income (loss) | 381,884 | 187,626 |
| Non-operating revenues | 1,082 | 1,352 |
| Non-operating expenses | - | - |
| Net increase (decrease) net assets | $ 382,966 | 188,978 |

**The Commission's total revenues increased by $306,730 or 14.92%. The total cost of all programs and services increased by $112,742 or 6.04%.**

## Capital Asset and Debt Administration

### *Capital Assets*

**At the end of 2012, the Commission had $395,150 invested in capital assets, including office furniture and equipment, building and building improvements, automobiles and land. This amount represents a net decrease (including additions and deductions) of $32,074, or 8.83%, over last year.**

**The Commission purchased one 2012 Dodge Avenger for $15,353, new computers for $36,435, and one air-conditioner unit for $4,495.**

### *Debt*

**The Louisiana Motor Vehicle Commission has long-term liabilities totaling $315,144 consisting of annual leave outstanding and other post employment benefits payable at year-end. The obligations increased from $298,781 for an increase of $16,363 or 5.48%. Long-term liabilities increased primarily because of the increase in the other post employment benefits payable.**

**The Commission had no bonds and notes outstanding at June 30, 2012.**

**There was no debt issued from July 1, 2011 to June 30, 2012.**

## Variations Between Actual and Budget Amounts

**Revenues were $380,215 over budget and expenditures were $38,751 under budget. This is primarily due to the Commission beginning the process of converting the majority of its licensees to a two year license period. This is being phased in over the last and current fiscal years as licenses are renewed. The shortage in expense primarily was due to a decrease of materials and supplies compared to prior year.**

## Economic Factors and Next Year's Budget

**The Commission's officials considered the following factors and indicators when approving next year's budget:**

- **Revenues from license renewals**
- **Continued efforts on maintaining and controlling operating costs**

## Contacting the Commission's Management

**This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Louisiana Motor Vehicle Commission at 3519 12th Street in Metairie, Louisiana 70002 or call them at 504-838-5207.**

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
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**Statement of Net Assets**

**June 30, 2012**

**(See Independent Auditors' Report)**

**Assets**

| | | | | |
|---|---|---|---|---|
| Cash & cash equivalents | $ | 1,467,648 | | |
| Certificates of deposit | | 400,000 | | |
| Capital assets, net of depreciation | | 395,150 | | |
| | | | $ | 2,262,798 |

**Liabilities**

| | | | | |
|---|---|---|---|---|
| Accounts payable & accrued expenses | $ | 40,434 | | |
| Deferred revenue | | 377,936 | | |
| Unearned collections | | 228,888 | | |
| Payroll liabilities | | 24,749 | | |
| Compensated absences due within one year | | 45,951 | | |
| Long-term liabilities: | | | | |
| Compensated absences long-term | | 3,267 | | |
| Other post employment benefits | | 311,877 | | |
| Total liabilities | | | | 1,033,102 |

**Net Assets**

| | | | | |
|---|---|---|---|---|
| Invested in capital assets | | 395,150 | | |
| Unrestricted | | 834,546 | | |
| Total net assets | | | $ | 1,229,696 |

See accompanying notes to the financial statements.

**LOUISIANA MOTOR VEHICLE COMMISSION**
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## Statement of Revenues, Expenses, & Changes in Fund Net Assets

**For the Year Ended June 30, 2012**

**(See Independent Auditors' Report)**

| | | |
|---|---|---|
| **Operating Revenues:** | | |
| Licenses, permits, & fees | $ 1,973,725 | |
| Fines and penalties | 387,076 | |
| Miscellaneous income | 332 | |
| Total operating revenues | | 2,361,133 |
| **Operating Expenses:** | | |
| Salaries & related benefits | 1,239,905 | |
| Professional services | 487,173 | |
| Operating services | 160,190 | |
| Materials and supplies | 31,774 | |
| Travel & other charges | 35,999 | |
| Depreciation | 24,208 | |
| Total operating expenses | | 1,979,249 |
| Operating income | | 381,884 |
| **Non-Operating Revenues** | | |
| Interest income | 1,082 | |
| Total non-operating revenues | | 1,082 |
| Increase in net assets | | 382,966 |
| Net assets, beginning of year | | 846,730 |
| Net assets, end of year | | $ 1,229,696 |

See accompanying notes to the financial statements.

**LOUISIANA MOTOR VEHICLE COMMISSION**
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## Statement of Cash Flows

## For the Year Ended June 30, 2012

**(See Independent Auditors' Report)**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from license fees, permits and fines | $ 2,514,329 | |
| Cash payments for salaries and related benefits | (1,217,020) | |
| Cash payments to suppliers for goods and services | (719,653) | |
| Other operating revenue | 332 | |
| Net cash provided by operating activities | | 577,988 |
| **Cash flows from investing activities:** | | |
| Interest earned on certificates of deposit | 1,082 | |
| Purchase of capital assets | (56,282) | |
| Proceeds from sale of capital assets | - | |
| Net cash used by investing activities | | (55,200) |
| Net increase in cash | | 522,788 |
| Cash and cash equivalents - beginning of year | | 944,860 |
| Cash and cash equivalents - end of yea | | $ 1,467,648 |

| | | |
|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | | $ 381,884 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | $ 24,208 | |
| Changes in assets and liabilities: | | |
| Accounts payable & accrued expenses | (4,517) | |
| Deferred revenue | 377,936 | |
| Unearned collections | (224,408) | |
| Payroll liabilities | 4,770 | |
| Compensated absences due within a year | 1,752 | |
| Compensated absences greater than one year | (4,964) | |
| Other post employment benefits | 21,327 | |
| Total adjustments | | 196,104 |
| Net cash provided by operating activite | | $ 577,988 |

See accompanying notes to the financial statements.

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
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## Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual

### For the Year Ended June 30, 2012

| | Original Budget | Final Appropriated Budget | Actual (Budgetary Basis) | Variance With Final Budget Favorable (Unfavorable) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Licenses, permits, and fees | $ 1,650,000 | $ 1,730,000 | 1,973,725 | 243,725 |
| Fines and penalties | 250,000 | 250,000 | 387,076 | 137,076 |
| Interest income | 1,500 | 1,500 | 1,082 | (418) |
| Other revenue | 500 | 500 | 332 | (168) |
| Total revenues | 1,902,000 | 1,982,000 | 2,362,215 | 380,215 |
| **Expenditures:** | | | | |
| Salaries & related benefits | 1,235,000 | 1,233,500 | 1,239,905 | (6,405) |
| Professional services | 391,500 | 242,000 | 487,173 | (245,173) |
| Operating services | 246,500 | 441,500 | 160,190 | 281,310 |
| Materials and supplies | 33,000 | 30,000 | 31,774 | (1,774) |
| Travel & other charges | 41,000 | 41,000 | 35,999 | 5,001 |
| Depreciation | 50,000 | 30,000 | 24,208 | 5,792 |
| Total expenditures | 1,997,000 | 2,018,000 | 1,979,249 | 38,751 |
| Net change in fund balance | (95,000) | (36,000) | 382,966 | 418,966 |
| Fund balance, beginning | 846,730 | 846,730 | 846,730 | |
| Fund balance, ending | $ 751,730 | $ 810,730 | 1,229,696 | |

See independent auditors' report.

## (1) Summary of Significant Accounting Policies

### (a) Introduction

**The Louisiana Motor Vehicle Commission (the Commission) is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statute 32:1251 et seq. and 6:969.1 et seq. The Commission consists of fifteen members appointed by the Governor. The Commission is charged with the responsibility of regulating all areas of the new car and recreational vehicle industries, including motor vehicle sales finance companies, operating in Louisiana. Operations of the Commission are funded with license fees, fines and interest earnings.**

### (b) Basis of Presentation

**The accompanying general purpose financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. Application of GAAP often requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.**

**The State of Louisiana and its components have adopted the provisions of GASB Statement No. 34, Statement No. 37 and Interpretation No. 6 effective July 1, 2001. This statement calls for significant changes to a governmental entity's financial presentation format, including the requirement for management's discussion and analysis and presentation of "government-wide" financial statements (statement of net assets and statement of activities) on a full accrual basis of accounting.**

### (c) Reporting Entity

**GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Commission is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Commission members and public service is rendered within the state's boundaries. The accompanying financial statements present only transactions of the Commission. Annually, the State of Louisiana issues basic financial statements, which include activity contained in the accompanying financial statements.**

### (d) Basis of Accounting

**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.**

## (1) Summary of Significant Accounting Policies

### (d) Basis of Accounting

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

*Revenues*

Revenues are recognized using the full accrual basis of accounting; therefore, revenues, including license fees, interest and other revenues of the Commission, are recognized in the accounting period in which they are earned and become measurable. Operating revenues consist of all revenues except investment income and gains on the disposal of equipment.

*Expenses*

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable. Operating expenses consist of all expenses except investment expenses and losses on the disposal of equipment.

### (e) Budget Practices

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Annually, the Commission adopts a budget as prescribed by Louisiana Revised Statute 39:1331-1342. The budget for the fiscal year ended June 30, 2012 was adopted December 13, 2010 and amended March 6, 2012 and is prepared and reported using the same accounting procedures and practices that are used in preparing the annual financial statements. The Commission reserves all authority to make changes to the budget. Budgeted amounts in the accompanying financial statements include the original budget and all subsequent amendments. Appropriations lapse at year-end.

### (f) Cash & Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and certificate of deposits with a maturity of three months or less when purchased. Under State law, the Commission 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 Commission may invest in certificates of deposit of State banks organized under Louisiana law and national banks having their principal offices in Louisiana.

## (1) Summary of Significant Accounting Policies

### (g) Capital Assets

**Capital assets are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimate fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. Assets are depreciated using the straight-line method over the useful lives of the assets as followings:**

| | |
|---|---|
| **Office furniture and equipment** | **5 years** |
| **Automobiles** | **5 years** |
| **Office building and improvement** | **40 years** |

### (h) Compensated Absences

**Employees earn and accumulate annual and sick leave at various rates depending on their year 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. Compensated absences are computed in accordance with GASB Codification Section C60.105 and are recognized as an expense and liability in the financial statements when incurred.**

### (i) Use of Estimates

**The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.**

## (2) Cash

**At June 30, 2012, the Commission has cash deposits and certificates of deposit (book balances) totaling $1,867,648. Deposits in bank accounts are stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances), must be secured by Federal deposit insurance or similar Federal security or the pledge of securities owned by the fiscal agents banks. The fair value of the pledged securities plus the Federal security must at all times equal the amount on deposit with the fiscal agents. At June 30, 2012, the Commission has $1,884,651 in deposits (collected bank balances) which was entirely insured or collateralized with securities held by the Commission or its agent in the Commission's name.**

**(3) Capital Assets**

**The following is a summary of changes in capital assets during the period from July 1, 2011 to June 30, 2012:**

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|---|---|---|---|
| Furniture & Equipment | $ 322,532 | 36,434 | (20,551) | 338,415 |
| Automobiles | 77,721 | 15,353 | (14,279) | 78,795 |
| Buildings & Improvements | 405,595 | 4,495 | - | 410,090 |
| Land | 97,200 | - | - | 97,200 |
| Less Accumulated Depreciation | (539,972) | (24,208) | 34,830 | (529,350) |
| Capital Assets, Net | $ 363,076 | 32,074 | - | 395,150 |

**Depreciation expense for the year ended June 30, 2012 was $ 24,208.**

**(4) Deferred Revenue & Unearned Collections**

**As of June 30, 2012, the Commission has deferred revenue totaling $377,936. This represents revenue that has been received and the related license issued however the license period extends into the subsequent year. Accordingly, a portion of the revenue associated with that license has been deferred. As of June 30, 2012, the Commission had unearned collections of $228,888. This represents revenue associated with a license for which the application and fee had been received during the current fiscal period however the license had not been issued by June 30, 2012.**

**(5) Retirement System**

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

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

**(5) Retirement System**

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

**Vested employees eligible to begin participation in the DBP before July 1, 2006 are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006, have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2009 Financial Statements. 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 their annual covered salaries if hired before July 1, 2006 and 8.0% of their annual covered salaries if hired after July 1, 2006, and the Commission is required to make employer contributions based on an actuarially determined rate. The contribution rate was 25.6%, 22.0%, and 18.6 % of annual covered payroll in fiscal years ended June 30, 2012, 2011, and 2010, respectively. The Commission's contributions to the System for the years ending June 30, 2012, 2011, and 2010 were $151,997, $138,256, and $121,329, respectively, equal to the required contributions for each year.**

**(6) <u>Post Retirement Health Care and Life Insurance Benefits</u>**

**Plan Description – The Louisiana Motor Vehicle Commission participates in a fully insured health insurance and life insurance program administered by the Louisiana Office of Group Benefits (OGB).**

**Medical benefits are provided through the Louisiana Office of Group Benefits (OGB) and involve several statewide networks and one HMO with a premium structure by region. The plan provisions are contained in the official plan documents of the OGB, available at www.groupbenefits.org - "Quick Links" - "Health Plans". The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an agent multiple-employer plan (within the meaning of paragraph 22 of GASB 45) for financial reporting purposes and for this valuation. The OGB "Medicare Advantage" plan has been assumed to apply to those employees after Medicare eligibility for purposes of this valuation. Medical benefits are provided to employees upon actual retirement. Employees are covered by the Louisiana State Employees' Retirement System (LASERS), whose retirement eligibility (D.R.O.P. entry) provisions as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service.**

**Life insurance coverage under the OGB program is available to retirees by election and the blended rate (active and retired) is $0.96 per $1,000 of insurance. The employer pays 50% of the cost of the retiree life insurance. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described below to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance. Insurance coverage amounts are reduced at age 65 and again at age 70 according to the OGB plan provisions.**

**Contribution Rates – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.**

**Fund Policy – Until 2009, the Louisiana Motor Vehicle Commission recognized the cost of providing post-employment medical and life insurance benefits (the Louisiana Motor Vehicle Commission's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2012 and 2011, the Louisiana Motor Vehicle Commission's portion of health care and life insurance funding cost for retired employees totaled $67,390 and $62,398, respectively.**

**Effective July 1, 2009, the Louisiana Motor Vehicle Commission implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.**

**(6) Post Retirement Health Care and Life Insurance Benefits**

**Annual Required Contribution – The Louisiana Motor Vehicle Commission's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:**

| | | 2012 | | 2011 |
|---|---|---|---|---|
| Normal cost | $ | 35,081 | $ | 33,732 |
| 30-year UAL amortization amount | | 58,816 | | 56,554 |
| Annual required contribution (ARC) | $ | 93,897 | $ | 90,286 |

**Net Post-employment Benefit Obligation (Asset) – The table below shows the Louisiana Motor Vehicle Commission's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending June 30:**

| | | 6/30/12 | 6/30/11 | 6/30/10 |
|---|---|---|---|---|
| Net OPEB obligation – beginning of year | $ | 290,550 | 266,837 | 235,167 |
| Annual required contribution | | 93,897 | 90,286 | 93,702 |
| Interest on Net OPEB Obligation | | 11,623 | 11,291 | 9,407 |
| Adjustment to Annual Required Contribution | | (16,803) | (15,466) | (13,722) |
| Annual OPEB cost (expense) | | 88,717 | 86,111 | 89,387 |
| Contributions made (retiree cost) | | (67,390) | (62,398) | (57,717) |
| Net OPEB obligation – end of year | $ | 311,877 | 290,550 | 266,837 |

**The following table shows the Louisiana Motor Vehicle Commission's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year and this year:**

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Liability (Asset) |
|---|---|---|---|
| June 30, 2012 | $ 88,717 | 75.96% | $ 311,877 |
| June 30, 2011 | $ 86,111 | 72.46% | $ 290,550 |

**Funded Status and Funding Progress – In 2012 and 2011, the Louisiana Motor Vehicle Commission made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2009 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2012 was $1,057,747 which is defined as that portion, as determined by a particular actuarial cost method (the Louisiana Motor Vehicle Commission uses the Projected Unit Credit Cost Method), of the actuarial**

**(6) Post Retirement Health Care and Life Insurance Benefits**

**present value of post employment plan benefits and expenses which is not provided by normal cost.**

| | | 2012 | | 2011 |
|---|---|---|---|---|
| **Actuarial Accrued Liability (AAL)** | $ | 1,057,747 | $ | 977,947 |
| **Actuarial Value of Plan Assets (AVP)** | | - | | - |
| **Unfunded Act. Accrued Liability (UAAL)** | $ | 1,057,747 | $ | 977,947 |
| **Funded Ratio (AVP/AAL)** | | 0.00% | | 0.00% |
| **Covered Payroll (active plan members)** | $ | 700,272 | $ | 1,202,223 |
| **UAAL as a percentage of covered payroll** | | 151.05% | | 81.34% |

**Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.**

**The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Louisiana Motor Vehicle Commission and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Louisiana Motor Vehicle Commission and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Louisiana Motor Vehicle Commission and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.**

**Actuarial Cost Method – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.**

**Actuarial Value of Plan Assets – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.**

**(6) Post Retirement Health Care and Life Insurance Benefits**

**Turnover Rate – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 13%.**

**Post employment Benefit Plan Eligibility Requirements – It is assumed that entitlement to benefits will commence six years after earliest eligibility to enter the D.R.O.P. This consists of a three year D.R.O.P. period plus an additional three year delay. Medical and life insurance benefits are provided to employees upon actual retirement. Employees are covered by the Louisiana State Employees' Retirement System (LASERS), whose retirement eligibility (D.R.O.P. entry) provisions as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. Entitlement to benefits continue through Medicare to death.**

**Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.**

**Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.**

**Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.**

**Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The OGB medical rates provided are "unblended" rates for active and retired as required by GASB 45 for valuation purposes. For current and future retirees after age 65, it has been assumed that 50% elect the OGB Medicare Advantage program and 50% elect the standard OGB post-65 program.**

**Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.**

**(6) Post Retirement Health Care and Life Insurance Benefits**

**Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.**

**Post-retirement Benefit Increases - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.**

**Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.**

**OPEB Costs and Contributions**

| | | FY 2010 | | FY 2011 | | FY 2012 |
|---|---|---|---|---|---|---|
| OPEB Cost | $ | 89,387 | $ | 86,111 | $ | 88,717 |
| Contribution | | - | | - | | - |
| Retiree premium | | 57,717 | | 62,398 | | 67,390 |
| Total contribution and premium | | 57,717 | | 62,398 | | 67,390 |
| Change in net OPEB obligation | $ | 31,670 | $ | 23,713 | $ | 21,327 |
| % of contribution to cost | | 0.00% | | 0.00% | | 0.00% |
| % of contribution plus premium to cost | | 64.57% | | 72.46% | | 75.96% |

**(7) Long-Term Liabilities**

**The only long-term liabilities during the fiscal year were for accrued annual leave and the ending OPEB liability of $361,094.**

**The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2012:**

| | | Balance June 30, 2011 | Additions | Reductions | Balance June 30, 2012 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Compensated absences | $ | 52,430 | 42,739 | (45,951) | 49,218 | 45,951 |
| OPEB payable | | 290,550 | 21,327 | - | 311,877 | - |
| Total long-term liabilities | $ | 342,980 | 64,066 | (45,951) | 361,095 | 45,951 |

**(8) Litigation and Claims**

**According to the Commission's legal counsel, there is no litigation pending, or claim, against the Commission which has the probability of a material adverse affect on the Commission's statement of net assets as of June 30, 2012.**

**(9) Deferred Compensation**

**Substantially all employees of the Louisiana Motor Vehicle Commission participate in the Louisiana Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code 457.**

***Funding Policy.*** **Insofar as budgetary constraints permit, the Commission will contribute 25% of each permanent employee's taxable income, up to the maximum prescribed by law, into the State of Louisiana Deferred Compensation Fund. For the year ended June 30, 2012, the Commission's cost of benefits paid for employees in the program totaled $150,067.**

**Complete disclosures relating to this statewide plan are available in the financial statement of the State of Louisiana.**

**(10) Evaluation of Subsequent Events**

**The Commission has evaluated subsequent events through August 29, 2012, the date which the financial statements were available to be issued.**

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
**STATE OF LOUISIANA**

## Schedule of Commissioners' Per Diems

**For the Year Ended June 30, 2012**

**(See Independent Auditors' Report)**

| Name | | Amount |
|---|---|---|
| Alexis D. Hocevar | $ | 500 |
| Ben Mann | | 250 |
| Brian C. Bent | | 600 |
| Don P. Hargroder | | 500 |
| Donna S. Corley | | 400 |
| Glenn Hayes | | 50 |
| Hicks James | | 550 |
| John W. Timmons | | 600 |
| John Fabre | | 400 |
| Joseph W. Westbrook | | 500 |
| Joyce Collier Lacour | | 300 |
| Landon Allen | | 300 |
| Maurice C. Guidry | | 500 |
| Philip E. Tarver | | 100 |
| Raymond Brandt | | 900 |
| Thad J. Ryan, III | | 400 |
| Troy J. Duhon | | 600 |
| V. Price LeBlanc, Jr. | | 500 |
| Total | $ | 7,950 |

LOUISIANA MOTOR VEHICLE COMMISSION
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2012

C O N T E N T S

Y. Due to/Due from and Transfers
Z. Liabilities Payable from Restricted Assets
AA. Prior-Year Restatement of Net Assets
BB. Net Assets Restricted by Enabling Legislation
CC. Impairment of Capital Assets
DD. Employee Termination Benefits
EE. Pollution Remediation Obligations
FF. American Recovery and Reinvestment Act (ARRA)
GG. Restricted Net Assets – Other Purposes

Schedules

1 Schedule of Per Diem Paid to Board Members
15 Schedule of Comparison Figures and Instructions

_______________
Schedule Number

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2012

**Louisiana Motor Vehicle Commission**
**3915 12th Street**
**Metairie, LA 70002**

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

Physical Address:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

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

LLAFileroom@lla.la.gov.

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, Lessie House, Executive Director of the Louisiana Motor Vehicle Commission who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of the Louisiana Motor Vehicle Commission at June 30, 2012 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 6TH day of SEPTEMBER, 20 12.

Lessie A House
Signature of Agency Official

Burgess E McCranie
NOTARY PUBLIC
BURGESS E. McCRANIE JR
# 9172

Prepared by: Robert J. Furman, CPA

Title: Partner – Griffin & Company, LLC

Telephone No.: 985-727-9924

Date: August 30, 2012

Email Address: rfurman@griffinandco.com

Management's Discussion and Analysis of the Louisiana Motor Vehicle Commission's financial performance presents a narrative overview and analysis of Louisiana Motor Vehicle Commission's financial activities for the year ended June 30, 2012. 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 the Louisiana Motor Vehicle Commission's financial statements.

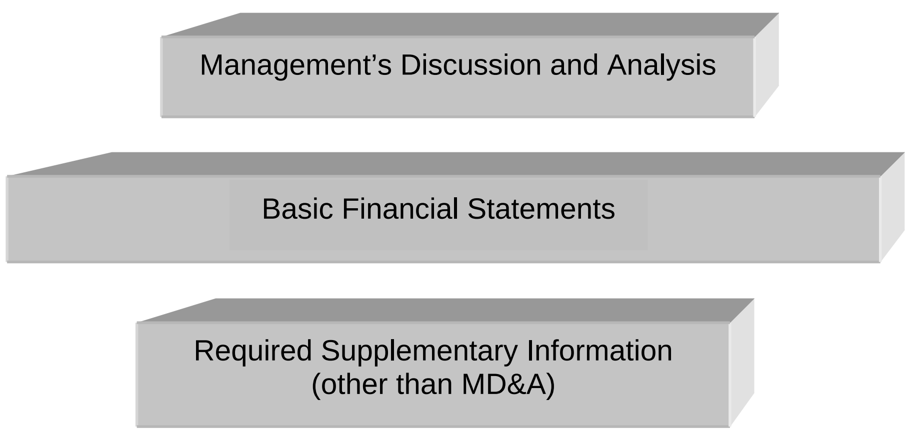
## FINANCIAL HIGHLIGHTS

★ The Louisiana Motor Vehicle Commission's assets exceeded its liabilities at the close of fiscal year 2012 by $1,229,696, which represents a 45.23% increase from last fiscal year. The net assets increased by $382,966 (or 45.23%).

★ The Louisiana Motor Vehicle Commission's revenue increased $306,730 (or 14.92%) and the net results from activities increased by $193,988 (or 102.65%).

## OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.




These financial statements consist 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.

### Basic Financial Statements

The basic financial statements present information for the Louisiana Motor Vehicle Commission's 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 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 Louisiana Motor Vehicle Commission's is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how Louisiana Motor Vehicle Commission'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 presents information showing how Louisiana Motor Vehicle Commission'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.

## FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2012
(in thousands)

| | Total | |
|---|---|---|
| | 2012 | 2011 |
| Current and other assets | $ 1,868 | $ 1,345 |
| Capital assets | 395 | 363 |
| Total assets | 2,263 | 1,708 |
| Other liabilities | 718 | 562 |
| Long-term debt outstanding | 315 | 299 |
| Total liabilities | 1,033 | 861 |
| Net assets: | | |
| Invested in capital assets, net of debt | 395 | 363 |
| Restricted | - | - |
| Unrestricted | 835 | 484 |
| Total net assets | $ 1,230 | $ 847 |

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of Louisiana Motor Vehicle Commission's increased by $382,966, or 45.23%, from June 30, 2011 to June 30, 2012. The primary reason is due to the addition of cash due to the Commission beginning the process of converting the majority of its licensees to a two year license period. This is being phrased in over the last and current fiscal years as licenses are renewed. Other causes include addition of capital assets.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30,2012
(in thousands)

| | Total 2012 | Total 2011 |
|---|---|---|
| Operating revenues | $ 2,361 | $ 2,055 |
| Operating expenses | 1,979 | 1,867 |
| Operating income(loss) | 382 | 188 |
| Non-operating revenues | 1 | 1 |
| Non-operating expenses * | - | - |
| Income(loss) before transfers | 383 | 189 |
| Transfers in | - | - |
| Transfers out | - | - |
| Net increase(decrease) in net assets | $ 383 | $ 189 |

* Enter expenses as a negative amount

The Louisiana Motor Vehicle Commission's total revenues increased by $ 306,730 or 14.92%. The total cost of all programs and services increased by $112,742 or 6.04%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year ended June 30, 2012, the Louisiana Motor Vehicle Commission's had $395,150 invested in a broad range of capital assets, including land, buildings and improvements, equipment and furniture, and autos. This amount represents a net increase of $32,074, or 8.83%, over last year.

This year's major additions included (in thousands):

- Buildings and Improvements - $4
- Equipment and furniture - $36
- Auto - $15

| | | 2012 | | 2011 |
|---|---|---|---|---|
| Land | $ | 97,200 | $ | 97,200 |
| Buildings and improvements | | 410,090 | | 405,595 |
| Equipment | | 338,415 | | 322,532 |
| Autos | | 78,795 | | 77,721 |
| Intangible Assets | | - | | - |
| Totals | $ | 924,500 | $ | 903,048 |

**Debt**

The Louisiana Motor Vehicle Commission's had $ - thousand in bonds and notes outstanding at year-end, compared to $ - thousand last year, no change as shown in the accompanying table.

**Outstanding Debt at Year-end**
**(in thousands)**

| | | 2012 | | 2011 |
|---|---|---|---|---|
| General Obligation Bonds | $ | - | $ | - |
| Revenue Bonds and Notes | | - | | - |
| Totals | $ | - | $ | - |

The Louisiana Motor Vehicle Commission has long-term liabilities totaling $315,144 consisting of annual leave outstanding and other post employment benefits payable at year-end. The obligations increased from $298,781 for an increase of $16,363 or 5.48%. Long-term liabilities increased primarily because of the increase in the other post employment benefits payable.

There was no debt issued from July 1, 2011 to June 30, 2012.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS**

Revenues were approximately $0.38 million over budget and expenditures were $0.04 million less than budget primarily due to the Commission beginning the process of converting the majority of its licensees to a two year license period. This is being phased in over the last and current fiscal years as licenses are renewed. The shortage in expense primarily was due to a decrease of materials and supplies compared to prior year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Louisiana Motor Vehicle Commission's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees:

- Revenues from license renewals
- Continued efforts on maintaining and controlling operating costs

## CONTACTING THE LOUISIANA MOTOR VEHICLE COMMISSION MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Louisiana Motor Vehicle Commission at 3519 12th Street in Metairie, Louisiana 70002 or call them at 504-838-5207.

# STATE OF LOUISIANA

# LOUISIANA MOTOR VEHICLE COMMISSION

# BALANCE SHEET

# AS OF JUNE 30, 2012

**Statement A**

| | | |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ | 1,467,648 |
| Restricted Cash and Cash Equivalents | | - |
| Investments | | 400,000 |
| Derivative instrument | | - |
| Deferred outlflow of resources | | - |
| Receivables (net of allowance for doubtful accounts)(Note U) | | - |
| Due from other funds (Note Y) | | - |
| Due from federal government | | - |
| Inventories | | - |
| Prepayments | | - |
| Notes receivable | | - |
| Other current assets | | - |
| Total current assets | | 1,867,648 |
| NONCURRENT ASSETS: | | |
| Cash | | - |
| Investments | | - |
| Receivables | | - |
| Investments | | - |
| Notes receivable | | - |
| Capital assets, net of depreciation (Note D) | | |
| Land and non-depreciable easements | | 97,200 |
| Buildings and improvements | | 232,076 |
| Machinery and equipment | | 45,386 |
| Auto | | 20,488 |
| Other noncurrent assets | | |
| Total noncurrent assets | | 395,150 |
| Total assets | $ | 2,262,798 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accruals (Note V) | $ | 40,434 |
| Derivative instrument | | - |
| Deferred inflow of resources | | - |
| Due to other funds (Note Y) | | - |
| Due to federal government | | - |
| Deferred revenues | | 377,936 |
| Unearned Collections | | 228,888 |
| Other current liabilities | | 24,749 |
| Current portion of long-term liabilities: (Note K) | | |
| Contracts payable | | |
| Compensated absences payable | | 45,951 |
| Capital lease obligations | | |
| Claims and litigation payable | | |
| Notes payable | | |
| Pollution remeditation obligation | | |
| Bonds payable (include unamortized costs) | | |
| Other long-term liabilities | | |
| Total current liabilities | | 717,958 |
| NONCURRENT LIABILITIES: (Note K) | | |
| Contracts payable | | |
| Compensated absences payable | | 3,267 |
| Capital lease obligations | | |
| Claims and litigation payable | | |
| Notes payable | | |
| Pollution remediation obligation | | |
| Bonds payable (include unamortized costs) | | |
| OPEB payable | | 311,877 |
| Other long-term liabilities | | |
| Total noncurrent liabilities | | 315,144 |
| Total liabilities | | 1,033,102 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | | 395,150 |
| Restricted for: | | |
| Capital projects | | |
| Debt Service | | |
| Unemployment compensation | | |
| Other specific purposes | | |
| Unrestricted | | 834,546 |
| Total net assets | | 1,229,696 |
| Total liabilities and net assets | $ | 2,262,798 |

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

**STATE OF LOUISIANA** **Statement B**
**LOUISIANA MOTOR VEHICLE COMMISSION**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**
**FOR THE YEAR ENDED JUNE 30, 2012**

| | |
|---|---|
| **OPERATING REVENUE** | |
| Sales of commodities and services | $ - |
| Assessments | - |
| Use of money and property | - |
| Licenses, permits, and fees | 2,360,801 |
| Other | 332 |
| Total operating revenues | 2,361,133 |
| **OPERATING EXPENSES** | |
| Cost of sales and services | - |
| Administrative | 1,955,041 |
| Depreciation | 24,208 |
| Amortization | - |
| Total operating expenses | 1,979,249 |
| Operating income(loss) | 381,884 |
| **NON-OPERATING REVENUES (EXPENSES)** | |
| State appropriations | |
| Intergovernmental revenues(expenses) | |
| Taxes | |
| Use of money and property | |
| Gain on disposal of fixed assets | |
| Loss on disposal of fixed assets | |
| Federal grants | |
| Interest expense | |
| Other revenue | 1,082 |
| Other expense | |
| Total non-operating revenues(expenses) | 1,082 |
| Income(loss) before contributions, extraordinary items, & transfers | 382,966 |
| Capital contributions | - |
| Extraordinary item - Loss on impairment of capital assets | - |
| Transfers in | - |
| Transfers out | - |
| Change in net assets | 382,966 |
| Total net assets – beginning | 846,730 |
| Total net assets – ending | $ 1,229,696 |

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

**STATE OF LOUISIANA** **Statement C**

**LOUISIANA MOTOR VEHICLE COMMISSION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2012**

| | | Program Revenues | | | Net (Expense) |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| Entity | $ 1,979,249 | $ 2,360,801 | $ - | $ - | $ 381,552 |
| General revenues: | | | | | |
| Taxes | | | | | - |
| State appropriations | | | | | - |
| Grants and contributions not restricted to specific programs | | | | | - |
| Interest | | | | | 1,082 |
| Miscellaneous | | | | | 332 |
| Special items | | | | | |
| Extraordinary item - Loss on impairment of capital assets | | | | | |
| Transfers | | | | | |
| Total general revenues, special items, and transfers | | | | | 1,414 |
| Change in net assets | | | | | 382,966 |
| Net assets - beginning as restated | | | | | 846,730 |
| Net assets - ending | | | | | $ 1,229,696 |

The accompanying notes are an integral part of this statement.

# STATE OF LOUISIANA
# LOUISIANA MOTOR VEHICLE COMMISSION
# STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED JUNE 30, 2012

**Statement D**
(continued)

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 2,514,329 | |
| Cash receipts from interfund services provided | - | |
| Other operating cash receipts, if any | 332 | |
| Cash payments to suppliers for goods or services | (719,653) | |
| Cash payments to employees for services | (1,217,020) | |
| Cash payments for interfund services used, including payments | - | |
| "In Lieu of Taxes" | - | |
| Other operating cash payments, if any | - | |
| Net cash provided(used) by operating activities | | 577,988 |
| **Cash flows from non-capital financing activities** | | |
| State appropriations | - | |
| Federal receipts | - | |
| Federal disbursements | - | |
| Proceeds from sale of bonds | - | |
| Principal paid on bonds | - | |
| Interest paid on bond maturities | - | |
| Proceeds from issuance of notes payable | - | |
| Principal paid on notes payable | - | |
| Interest paid on notes payable | - | |
| Operating grants received | - | |
| Transfers in | - | |
| Transfers out | - | |
| Other | - | |
| Net cash provided(used) by non-capital financing activities | | - |
| **Cash flows from capital and related financing activities** | | |
| Proceeds from sale of bonds | - | |
| Principal paid on bonds | - | |
| Interest paid on bond maturities | - | |
| Proceeds from issuance of notes payable | - | |
| Principal paid on notes payable | - | |
| Interest paid on notes payable | - | |
| Acquisition/construction of capital assets | (56,282) | |
| Proceeds from sale of capital assets | - | |
| Capital contributions | - | |
| Other | - | |
| Net cash provided(used) by capital and related financing activities | | (56,282) |
| **Cash flows from investing activities** | | |
| Purchases of investment securities | | |
| Proceeds from sale of investment securities | - | |
| Interest and dividends earned on investment securities | 1,082 | |
| Net cash provided(used) by investing activities | | 1,082 |
| Net increase(decrease) in cash and cash equivalents | | 522,788 |
| Cash and cash equivalents at beginning of year | | 944,860 |
| Cash and cash equivalents at end of year | | $ 1,467,648 |

**STATE OF LOUISIANA**
**LOUISIANA MOTOR VEHICLE COMMISSION**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2012**

**Statement D**
(concluded)

**Reconciliation of operating income(loss) to net cash provided(used) by operating activities:**

| | | |
|---|---|---|
| Operating income(loss) | | $ 381,884 |
| Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities: | | |
| Depreciation/amortization | 24,208 | |
| Provision for uncollectible accounts | - | |
| Other | | |
| Changes in assets and liabilities: | | |
| (Increase)decrease in accounts receivable, net | - | |
| (Increase)decrease in due from other funds | - | |
| (Increase)decrease in other assets | - | |
| Increase(decrease) in accounts payable and accruals | (4,517) | |
| Increase(decrease) in unearned liabilities | (224,408) | |
| Increase(decrease) in compensated absences payable | (3,212) | |
| Increase(decrease) in due to other funds | - | |
| Increase(decrease) in deferred revenues | 377,936 | |
| Increase(decrease) in OPEB payable | 21,327 | |
| Increase(decrease) in other liabilities | 4,770 | |
| Net cash provided(used) by operating activities | | $ 577,988 |

**Schedule of noncash investing, capital, and financing activities:**

| | |
|---|---|
| Borrowing under capital lease(s) | $ |
| Contributions of fixed assets | |
| Purchases of equipment on account | |
| Asset trade-ins | |
| Other (specify) | |
| | |
| | |
| | |
| **Total noncash investing, capital, and financing activities:** | $ - |

The accompanying notes are an integral part of this statement.

## INTRODUCTION

The Louisiana Motor Vehicle Commission's was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 32:1251 et seq. and 6:969.1 et seq. The following is a brief description of the operations of Louisiana Motor Vehicle Commission's and includes the parish/parishes in which Louisiana Motor Vehicle Commission is located:

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The accompanying financial statements of the Louisiana Motor Vehicle Commission present information only as to the transactions of the programs of the Louisiana Motor Vehicle Commission 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 Louisiana Motor Vehicle Commission are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

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

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

## B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Louisiana Motor Vehicle Commission are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

| | | APPROPRIATIONS |
|---|---|---|
| Original approved budget | $ | 1,902,000 |
| Amendments: | | 80,000 |
| Final approved budget | $ | 1,982,000 |

## C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana Motor Vehicle Commission may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana Motor Vehicle Commission may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of 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.

For the purpose of the Statement of Cash Flows and balance sheet presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

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 required to be held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

**GASB Statement 40, which amended GASB Statement 3,** eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2012, consisted of the following:

| | Cash | Nonnegotiable Certificates of Deposit | Other (Describe) | Total |
|---|---|---|---|---|
| Deposits per Balance Sheet (Reconciled bank balance) | $ 1,467,548 | $ 400,000 | $ - | $ 1,867,548 |
| Deposits in bank accounts per bank | $ 1,484,651 | $ 400,000 | $ - | $ 1,884,651 |
| Bank balances exposed to custodial credit risk: | $ - | $ 150,000 | $ - | $ 150,000 |
| a. Uninsured and uncollateralized | - | - | - | - |
| b. Uninsured and collateralized with securities held by the pledging institution | - | 150,000 | - | 150,000 |
| c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's | - | - | - | - |

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Deposits per Balance Sheet" due to outstanding items.

The following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

| | Banking Institution | Program | Amount |
|---|---|---|---|
| 1. | JP Morgan Chase Bank | Checking | $ 1,484,651 |
| 2. | JP Morgan Chase Bank | CD | 400,000 |
| 3. | | | |
| 4. | | | |
| Total | | | $ 1,884,651 |

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

| | |
|---|---|
| Cash in State Treasury | $ |
| Petty cash | $ 100 |

2. INVESTMENTS – NOT APPLICABLE

The Louisiana Motor Vehicle Commission does not maintain investment accounts.

3. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES - NOT APPLICABLE

4. DERIVATIVES (GASB 53) – NOT APPLICABLE

5. POLICIES) – NOT APPLICABLE

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS – NOT APPLICABLE

## D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

Schedule of Capital Assets (includes capital leases)

| **Agency** | Balance 6/30/2011 | Prior Period Adjustments | Restated Balance 6/30/2011 | Additions | * Reclassification of CIP | ** Retirements | Balance 6/30/2012 |
|---|---|---|---|---|---|---|---|
| Capital assets not depreciated: | | | | | | | |
| Land | $ 97,200 | $ - | $ 97,200 | $ - | $ - | $ - | $ 97,200 |
| Non-depreciable land improvements | - | - | - | - | - | - | - |
| Non-depreciable easements | - | - | - | - | - | - | - |
| Capitalized collections | - | - | - | - | - | - | - |
| Software - development in progress | - | - | - | - | - | - | - |
| Construction in progress | - | - | - | - | - | - | - |
| Total capital assets not depreciated | $ 97,200 | $ - | $ 97,200 | $ - | $ - | $ - | $ 97,200 |
| Other capital assets: | | | | | | | |
| Depreciable land improvements | $ | $ | $ - | $ | $ | $ | $ - |
| ** Accumulated depreciation | | | - | | | | - |
| Total land improvements | - | - | - | - | - | - | - |
| Buildings | 405,595 | - | 405,595 | 4,495 | - | - | 410,090 |
| ** Accumulated depreciation | (166,739) | | (166,739) | (11,275) | | | (178,014) |
| Total buildings | 238,856 | - | 238,856 | (6,780) | - | - | 232,076 |
| Machinery & equipment | 400,254 | - | 400,254 | 51,788 | - | (34,830) | 417,212 |
| ** Accumulated depreciation | (373,234) | | (373,234) | (12,933) | | 34,830 | (351,337) |
| Total machinery & equipment | 27,020 | - | 27,020 | 38,855 | - | - | 65,875 |
| Infrastructure | | | - | - | - | - | - |
| ** Accumulated depreciation | - | - | - | - | - | - | - |
| Total infrastructure | - | - | - | - | - | - | - |
| Software (internally generated & purchased) | - | - | - | - | - | - | - |
| Other intangibles | - | - | - | - | - | - | - |
| ** Accumulated amortization - software | - | - | - | - | - | - | - |
| ** Accumulated amortization - other intangibles | - | - | - | - | - | - | - |
| Total intangibles | - | - | - | - | - | - | - |
| Total other capital assets | $ 265,876 | $ - | $ 265,876 | $ 32,075 | $ - | $ - | $ 297,951 |
| Capital asset summary: | | | | | | | |
| Capital assets not depreciated | $ 97,200 | $ - | $ 97,200 | $ - | $ - | $ - | $ 97,200 |
| Other capital assets, book value | 805,849 | - | 805,849 | 56,283 | - | (34,830) | 827,302 |
| Total cost of capital assets | 903,049 | - | 903,049 | 56,283 | - | (34,830) | 924,502 |
| Accumulated depreciation/amortization | (539,973) | - | (539,973) | (24,208) | - | 34,830 | (529,351) |
| Capital assets, net | $ 363,076 | $ - | $ 363,076 | $ 32,075 | $ - | $ - | $ 395,151 |

* Should only be used for those completed projects coming out of construction-in-progress to capital assets.
** Enter a negative number except for accumulated depreciation in the retirement column

## E. INVENTORIES – NOT APPLICABLE

## F. RESTRICTED ASSETS - NOT APPLICABLE

## G. LEAVE

### 1. COMPENSATED ABSENCES

The Louisiana Motor Vehicle Commission 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 current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds 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.

## H. RETIREMENT SYSTEM

Substantially all of the employees of the Louisiana Motor Vehicle Commission are members of the Louisiana State Employees Retirement System (LASERS), a single 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. (Note: If LASERS is not your entity's retirement system, indicate the retirement system that is and replace any wording in this note that doesn't apply to your retirement system with the applicable wording.)

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

Vested employees eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2011 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. A copy of the 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) 922-0600 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at:

http://www.lasersonline.org/uploads/2011_CAFR_web_version.pdf

All members are required by state statute to contribute with the vast majority of employees of the state who became members before July 1, 2006 contributing 7.5% of gross salary. Act 75 of the 2005 Regular Session increases the member contribution rate from 7.5% to 8% for new members hired after June 30, 2006. The (BTA) 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, 2012, increased to 25.6% of annual covered payroll from the 22.0% and 18.6% required in fiscal years ended June 30, 2011 and 2010 respectively. The Louisiana Motor Vehicle Commission contributions to the System for the years ending June 30, 2012, 2011, and 2010, were $151,997, $138,256, and $121,329, respectively, equal to the required contributions for each year.

## I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses accounting and financial reporting for OPEB trust and agency funds of the employer. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of governmental employers. See the GASB Statement No. 45 note disclosures requirements in section 2 of this note.

1. Calculation of Net OPEB Obligation

   Complete the following table for only the net OPEB obligation (NOO) related to OPEB administered by the Office of Group Benefits. The ARC, NOO at the beginning of the year, interest, ARC adjustment, and Annual OPEB Expense have been computed for OGB participants (see OSRAP's website - http://www.doa.louisiana.gov/OSRAP/afrpackets.htm) and select "GASB 45 OPEB Valuation Report as of July 1, 2011, to be used for fiscal year ending June 30, 2012." Report note disclosures for other plans, not administrated by OGB, separately.

Annual OPEB expense and net OPEB Obligation

| Fiscal year ending | 6/30/2012 |
|---|---|
| 1. * ARC | $93,897 |
| 2. * Interest on NOO | 11,623 |
| 3. * ARC adjustment | 16,803 |
| 4. * Annual OPEB Expense (1. + 2. - 3.) | 88,717 |
| 5. Contributions (employer pmts. to OGB for retirees' cost of 2012 insurance premiums) | 67,390 |
| 6. Increase in Net OPEB Obligation (4. - 5.) | 21,327 |
| 7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website) | 290,550 |
| 8. **NOO, end of year (6. + 7.) | $311,877 |

*This must be obtained from the OSRAP website on the spreadsheet "GASB 45 OPEB Valuation Report as of July 1, 2011, to be used for fiscal year ending June 30, 2012."

**This should be the same amount as that shown on the Balance Sheet for the year ended June 30, 2012 if your entity's only OPEB is administered by OGB.

**Plan Description –** The Louisiana Motor Vehicle Commission participates in a fully insured health insurance and life insurance program administered by the Louisiana Office of Group Benefits (OGB).

Medical benefits are provided through the Louisiana Office of Group Benefits (OGB) and involve several statewide networks and one HMO with a premium structure by region. The plan provisions are contained in the official plan documents of the OGB, available at *www.groupbenefits.org - "Quick Links" - "Health Plans"*. The OGB plan is a fully insured, multiple-employer arrangement and has been deemed to be an *agent multiple-employer plan* (within the meaning of paragraph 22 of GASB 45) for financial reporting purposes and for this valuation. The OGB "Medicare Advantage" plan has been assumed to apply to those employees after Medicare eligibility for purposes of this valuation. Medical benefits are provided to employees upon actual retirement. Employees are covered by the Louisiana State Employees' Retirement System (LASERS), whose retirement eligibility (D.R.O.P. entry) provisions as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service.

Life insurance coverage under the OGB program is available to retirees by election and the blended rate (active and retired) is $0.96 per $1,000 of insurance. The employer pays 50% of the cost of the retiree life insurance. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described below to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance. Insurance coverage amounts are reduced at age 65 and again at age 70 according to the OGB plan provisions.

**Contribution Rates –** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy –** Until 2009, the Louisiana Motor Vehicle Commission recognized the cost of providing post-employment medical and life insurance benefits (the Louisiana Motor Vehicle Commission's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2012 and 2011, the

Louisiana Motor Vehicle Commission's portion of health care and life insurance funding cost for retired employees totaled $67,390 and $62,398, respectively.

Effective July 1, 2009, the Louisiana Motor Vehicle Commission implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

**Annual Required Contribution –** The Louisiana Motor Vehicle Commission's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

| | 2012 | 2011 |
|---|---|---|
| Normal cost | $ 35,081 | $ 33,732 |
| 30-year UAL amortization amount | 58,816 | 56,554 |
| Annual required contribution | $ 93,897 | $ 90,286 |

**Net Post-employment Benefit Obligation (Asset) –** The table below shows the Louisiana Motor Vehicle Commission's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending June 30:

| | | 6/30/12 | 6/30/11 | 6/30/10 |
|---|---|---|---|---|
| **Net OPEB obligation – beginning of year** | **$** | **290,550** | **266,837** | **235,167** |
| **Annual required contribution** | | **93,897** | **90,286** | **93,702** |
| **Interest on Net OPEB Obligation** | | **11,623** | **11,291** | **9,407** |
| **Adjustment to Annual Required Contribution** | | **(16,803)** | **(15,466)** | **(13,722)** |
| **Annual OPEB cost (expense)** | | **88,717** | **86,111** | **89,387** |
| **Contributions made (retiree cost)** | | **(67,390)** | **(62,398)** | **(57,717)** |
| **Net OPEB obligation – end of year** | **$** | **311,877** | **290,550** | **266,837** |

The following table shows the Louisiana Motor Vehicle Commission's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year and this year:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Liability (Asset) |
|---|---|---|---|
| June 30, 2012 | $ 88,717 | 75.96% | $ 311,877 |
| June 30, 2011 | $ 86,111 | 72.46% | $ 290,550 |

**Funded Status and Funding Progress –** In 2012 and 2011, the Louisiana Motor Vehicle Commission made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2009 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2012 was $1,057,747 which is defined as that portion, as determined by a particular actuarial cost method (the Louisiana Motor Vehicle Commission uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

| | 2012 | 2011 |
|---|---|---|
| Actuarial Accrued Liability (AAL) | $ 1,057,747 | $ 977,947 |
| Actuarial Value of Plan Assets (AVP) | - | - |
| Unfunded Act. Accrued Liability (UAAL) | $ 1,057,747 | $ 977,947 |
| Funded Ratio (AVP/AAL) | 0.00% | 0.00% |
| Covered Payroll (active plan members) | $ 700,272 | $ 1,202,223 |
| UAAL as a percentage of covered payroll | 151.05% | 81.34% |

**Actuarial Methods and Assumptions –** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Louisiana Motor Vehicle Commission and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Louisiana Motor Vehicle Commission and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Louisiana Motor Vehicle Commission and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method –** The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

**Actuarial Value of Plan Assets –** There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

**Turnover Rate –** An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 13%.

**Post employment Benefit Plan Eligibility Requirements –** It is assumed that entitlement to benefits will commence six years after earliest eligibility to enter the D.R.O.P. This consists of a three year D.R.O.P. period plus an additional three year delay. Medical and life insurance benefits are provided to employees upon actual retirement. Employees are covered by the Louisiana State Employees' Retirement System (LASERS), whose retirement eligibility (D.R.O.P. entry) provisions as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. Entitlement to benefits continue through Medicare to death.

**Investment Return Assumption (Discount Rate) –** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate –** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**Mortality Rate** - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits –** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The OGB medical rates provided are "unblended" rates for active and retired as required by GASB 45 for valuation purposes. For current and future retirees after age 65, it has been assumed that 50% elect the OGB Medicare Advantage program and 50% elect the standard OGB post-65 program.

**Inflation Rate** - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected Salary Increases -** This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement Benefit Increases -** The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.**

| | OPEB Costs and Contributions | | |
|---|---|---|---|
| | FY 2010 | FY 2011 | FY 2012 |
| OPEB Cost | $ 89,387 | $ 86,111 | $ 88,717 |
| Contribution | - | - | - |
| Retiree premium | 57,717 | 62,398 | 67,390 |
| Total contribution and premium | 57,717 | 62,398 | 67,390 |
| Change in net OPEB obligation | $ 31,670 | $ 23,713 | $ 21,327 |
| % of contribution to cost | 0.00% | 0.00% | 0.00% |
| % of contribution plus premium to cost | 64.57% | 72.46% | 75.96% |

## J. LEASES – NOT APPLICABLE

## K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2012:

Year ended June 30, 2012

| | Balance June 30, 2011 | Additions | Reductions | Balance June 30, 2012 | Amounts due within one year |
|---|---|---|---|---|---|
| **Notes and bonds payable:** | | | | | |
| Notes payable | $ - | $ - | $ - | $ - | $ - |
| Bonds payable | - | - | - | - | - |
| Total notes and bonds | - | - | - | - | - |
| **Other liabilities:** | | | | | |
| Contracts payable | - | - | - | - | - |
| Compensated absences payable | 52,430 | 42,738 | 45,951 | 49,217 | 45,951 |
| Capital lease obligations | - | - | - | - | - |
| Claims and litigation | - | - | - | - | - |
| Pollution remediation obligation | - | - | - | - | - |
| OPEB payable | 290,550 | 21,327 | - | 311,877 | - |
| Other long-term liabilities | | | | - | - |
| Total other liabilities | 342,980 | 64,065 | 45,951 | 361,094 | 45,951 |
| Total long-term liabilities | $ 342,980 | $ 64,065 | $ 45,951 | $ 361,094 | $ 45,951 |

## L. CONTINGENT LIABILITIES – NOT APPLICABLE

## M. RELATED PARTY TRANSACTIONS – NOT APPLICABLE

**N. ACCOUNTING CHANGES – NOT APPLICABLE**

**O. IN-KIND CONTRIBUTIONS – NOT APPLICABLE**

**P. DEFEASED ISSUES – NOT APPLICABLE**

**Q. REVENUES – PLEDGED OR SOLD (GASB 48) – NOT APPLICABLE**

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – NOT APPLICABLE**

**S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – NOT APPLICABLE**

**T. SHORT-TERM DEBT – NOT APPLICABLE**

**U. DISAGGREGATION OF RECEIVABLE BALANCES – NOT APPLICABLE**

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at June 30, 2012, were as follows:

| Fund | Vendors | Salaries and Benefits | Accrued Interest | Other Payables | Total Payables |
|---|---|---|---|---|---|
| | $ 40,434 | $ | $ | $ | $ 40,434 |
| | | | | | - |

**W. SUBSEQUENT EVENTS – NOT APPLICABLE**

**X. SEGMENT INFORMATION – NOT APPLICABLE**

**Y. DUE TO/DUE FROM AND TRANSFERS – NOT APPLICABLE**

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS – NOT APPLICABLE**

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – NOT APPLICABLE**

**BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46) – NOT APPLICABLE**

**CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES – NOT APPLICABLE**

**DD. EMPLOYEE TERMINATION BENEFITS – NOT APPLICABLE**

**EE. POLLUTION REMEDIATION OBLIGATIONS – NOT APPLICABLE**

**FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) – NOT APPLICABLE**

## GG. RESTRICTED NET ASSETS – OTHER SPECIFIC PURPOSES – NOT APPLICABLE

# STATE OF LOUISIANA
# LOUISIANA MOTOR VEHICLE COMMISSION
# SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
# June 30, 2012

| Name | Amount |
|---|---|
| Alexis D. Hocevar | $ 500 |
| Ben Mann | 250 |
| Brian C. Bent | 600 |
| Don P. Hargroder | 500 |
| Donna S. Corley | 400 |
| Glenn Hayes | 50 |
| Hicks James | 550 |
| John W. Timmons | 600 |
| John Fabre | 400 |
| Joseph W. Westbrook | 500 |
| Joyce Collier Lacour | 300 |
| Landon Allen | 300 |
| Maurice C. Guidry | 500 |
| Philip E. Tarver | 100 |
| Raymond Brandt | 900 |
| Thad J. Ryan, III | 400 |
| Troy J. Duhon | 600 |
| V. Price LeBlanc, Jr. | 500 |
| Total | $ 7,950 |

Note: The per diem payments are authorized by Louisiana Revised Statute, and are presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

SCHEDULE 1

**STATE OF LOUISIANA**
**LOUISIANA MOTOR VEHICLE COMMISSION**
**COMPARISON FIGURES**

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than **$3 million**, explain the reason for the change.

| | 2012 | 2011 | Difference | Percentage Change |
|---|---|---|---|---|
| 1) Revenues | $ 2,362,215 | $ 2,055,485 | $ 306,730 | 14.92% |
| Expenses | 1,979,249 | 1,866,507 | 112,742 | 6.04% |
| 2) Capital assets | 395,150 | 363,076 | 32,074 | 8.83% |
| Long-term debt | 315,144 | 298,781 | 16,363 | 5.48% |
| Net Assets | 1,229,696 | 846,730 | 382,966 | 45.23% |

Explanation for change:

SCHEDULE 15

GRIFFIN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Griffin, CPA
Robert J. Furman, CPA

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Board of Directors**
**Louisiana Motor Vehicle Commission**
**Office of the Governor**
**State of Louisiana**
**Metairie, Louisiana**

**We have audited the basic financial statements of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audit 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 Louisiana Motor Vehicle Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.**

**Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.**

**A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies internal control over financial reporting that we consider to be material weaknesses, as defined above.**

**A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Louisiana Motor Vehicle Commission's internal control to be a significant deficiency:**



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**As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Commission's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.**

**Compliance**

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

**Other Matters**

**In addition to the significant deficiency noted above, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 29, 2012, on the financial statements of the Louisiana Motor Vehicle Commission.**

**Unearned Collections**

**During our audit procedures related to unearned collections, we noted that the total per the year end unearned collections report did not agree to general ledger. We also noted that the summary totals of the report did not foot. While these differences were not material to the financial statements, we recommend the Commission have this report reviewed by an appropriate consultant.**

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

*Griffin & Company, LLC*

**August 29, 2012**

**Schedule of Findings and Management Corrective Action Plan**

**June 30, 2012**

**Summary of Audit Results:**

1. **Type of Report Issued – Unqualified**

2. **Internal Control Over Financial Reporting**
    a. **Significant Deficiencies – Yes (2012-1)**
    b. **Material Weaknesses – No**

3. **Compliance – No Findings**

4. **Other Matters / Management Letter - Yes**

**Finding 2012-1:**

***Criteria*:**
**Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.**

***Condition & Cause:***
**As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Board's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.**

***Recommendation*:**
**As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.**

***Management Corrective Action Plan:***
**In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Commission's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.**

**LOUISIANA MOTOR VEHICLE COMMISSION**
**OFFICE OF THE GOVERNOR**
**STATE OF LOUISIANA**

**Status of Prior Audit Findings**

**June 30, 2012**

**The prior audit findings for the Louisiana Motor Vehicle Commission are as followings:**

**<u>Finding 2011-1</u>:**

***Criteria*:**
**Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.**

***Condition & Cause:***
**As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Board's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.**

***Recommendation*:**
**As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.**

***Management Corrective Action Plan:***
**In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Commission's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.**

***Status:***
**There is no change in the status of this comment.**