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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

LOUISIANA STATE BOARD OF  
EXAMINERS OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

JUNE 30, 1997

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

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LEGISLATIVE AUDITOR

LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

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**Zahn, Kenney & Bresette**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Louisiana State Board of Examiners of Interior Designers  
Department of Economic Development  
State of Louisiana

We have audited the accompanying financial statements of the Louisiana State Board of Examiners of Interior Designers (Board), a component unit of the Department of Economic Development, State of Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Board, as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 5, 1997 on our consideration of the Board's internal control structure and a report dated August 5, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Zahn, Kenney & Bresette*

Metairie, Louisiana  
August 5, 1997

LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND  
TYPES AND ACCOUNT GROUPS

JUNE 30, 1997

	GOVERNMENTAL FUND TYPE <u>General Fund</u>	ACCOUNT GROUPS		Total (Memo Only)
		General Fixed <u>Assets</u>	General Long-Term <u>Obligations</u>	
<u>ASSETS</u>				
Cash	\$ 49,327	\$ -	\$ -	\$ 49,327
Prepaid expenses	648	-	-	648
Fixed assets	-	22,516	-	22,516
Amount to be provided for payment of accrued leave	-	-	539	539
Total assets	<u>\$ 49,975</u>	<u>\$ 22,516</u>	<u>\$ 539</u>	<u>\$ 73,030</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 1,575	\$ -	\$ -	\$ 1,575
Accrued expenses	508	-	-	508
Accrued annual leave	927	-	539	1,466
Total liabilities	3,010	-	539	3,549
<u>FUND BALANCES</u>				
Investment in general fixed assets	-	22,516	-	22,516
Fund balance, unreserved, undesignated	46,965	-	-	46,965
Total liabilities and fund balances	<u>\$ 49,975</u>	<u>\$ 22,516</u>	<u>\$ 539</u>	<u>\$ 73,030</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GENERAL FUND  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Licenses, permits and fees	\$ 29,000	\$ 28,203	\$ (797)
Educational program fees	13,000	9,990	(3,010)
Use of money	<u>4,000</u>	<u>2,681</u>	<u>(1,319)</u>
Total revenues	46,000	40,874	(5,126)
<u>EXPENDITURES</u>			
Personal services and related benefits	18,698	19,590	(892)
Operating expenses	16,050	15,946	104
Professional services	14,000	9,153	4,847
Other charges	16,600	14,999	1,601
Capital outlay	<u>1,000</u>	<u>1,531</u>	<u>(531)</u>
Total expenditures	<u>66,348</u>	<u>61,219</u>	<u>5,129</u>
Excess (deficiency) of revenues over expenditures	(20,348)	(20,345)	3
<u>FUND BALANCE</u>			
Fund Balance, July 1, 1996	<u>67,310</u>	<u>67,310</u>	-
Fund Balance, June 30, 1997	<u>\$ 46,962</u>	<u>\$ 46,965</u>	<u>\$ 3</u>

(See notes to financial statements)

LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana State Board of Examiners of Interior Designers (the Board) is a component unit of the State of Louisiana (the State) created within the Louisiana Department of Economic Development, as provided by Louisiana Revised Statutes 37:3171. The Board operates within the Department of Economic Development and is composed of seven members, appointed by the Governor. The members serve terms concurrent to the term of office of the Governor appointing them, except that each member shall serve until his successor has been appointed and begins serving. It is charged statutorily with the protection of the public health, safety, and welfare of the people of the State by prohibiting the use of the title "licensed interior designer" by non licensed persons, to establish a board to set rules and criteria for licensing to protect the public from those not competent, and to prescribe penalties for violations. Operations of the Board are funded with self-generated license, examination and other related fees.

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 the state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State. The accompanying statements present only transactions of the Board, a component unit of the State.

Annually the State issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

#### B. FUND ACCOUNTING

The accounts of the Board are organized into a general fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The fund and account groups presented in the financial statements are described as follows:

##### General Fund

The general fund is used to account for the general operations of the Board. The various revenues and expenditures are accounted for in this fund.

##### Account Groups

The two account groups are not "Funds." They are concerned only with the measurement of financial position, not with measurement of results of operations.

### C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures 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 Board's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

### D. BUDGET PRACTICES

Budgets are prepared and adopted by the Board annually. The current fiscal year budget was adopted at the December 5, 1996 Board meeting.

In accordance with Louisiana Revised Statutes 39:1331 the Board submits a copy of its proposed budget and any subsequent amendments for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 49:968, to the Legislative Auditor, and the Legislative Fiscal Office.

The proposed budget is due no later than the first day of January. The Board monitors the budget and makes changes, when deemed appropriate.

The Board made no changes or amendments to the budget. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balance.

All funds budgeted are immediately available, as the Board's operations are financed with self-generated revenues. Therefore, the budget is known as a non-appropriated budget.

The Board does not follow the encumbrances method of accounting.



E. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law the Board may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal 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.

As reflected on the balance sheet, the Board had cash and cash equivalents totaling \$49,327 at June 30, 1997. Cash and cash equivalents 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. As of June 30, 1997, the amount on deposit was secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	\$ <u>49,327</u>
Bank Balance:	
1. Insured (FDIC)	\$ 49,227
2. Uncollateralized, including any securities held for the entity but not in the entity's name - Petty Cash	<u>100</u>
Total Bank Balances	\$ <u>49,327</u>

#### F. INVESTMENTS

The Board does not maintain investment accounts.

#### G. VACATION AND SICK LEAVE

The Board has the following policy related to annual and sick leave. The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay.

Upon retirement or resignation, the employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 1997, the employee of the Board had accumulated and vested \$1,466 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16. Of this amount \$927 is recorded as an obligation of the General Fund and \$539 is recorded within the General Long-Term Debt Account Group.

#### H. TOTAL COLUMNS ON STATEMENTS

The total column on the Balance Sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

I. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided for on these fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets (all furniture and equipment) follows:

Balance at June 30, 1996	\$ 20,985
Additions	1,531
Deletions	<u>          -</u>
Balance at June 30, 1997	<u>\$ 22,516</u>

J. PENSION PLAN

The Board's employee participates in the Louisiana State Employees' Retirement System (LASERS). In addition to the employee contribution withheld at 7.5% of gross salary, the Board contributes an additional 12.4% of gross salary. Current year contributions to the system were funded through employee and employer contributions of \$990 and \$1,637 respectively. The total current year payroll of the agency was \$13,281 and its current year payroll covered by the retirement system was \$13,200. Under present statutes, the Board does not guarantee any of the benefits granted by the retirement system.

K. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees become eligible for those benefits if they reach normal retirement age while working for the Board. Those benefits for retirees and similar benefits for

K. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (CONTINUED)

active employees are provided through an insurance company whose monthly premiums are paid jointly by the employees and by the Board. The Board recognizes the cost of providing the benefits (Board's portion of premiums) as an expenditure when paid during the year. The Board has no retired employees, and at present does not provide life insurance benefits.

L. LEASES

The Board rents its office space under an operating lease and shares the rent expense equally with the Louisiana Auctioneers Licensing Board. The lease expense is included in operating services and the total rent expense for the fiscal year ended June 30, 1997 was \$5,665. The final payment on the lease will be November 1, 1999. Annual lease expense under the lease term is as follows:

Fiscal Year Ending:	
June 30, 1998	\$5,581
June 30, 1999	5,700
June 30, 2000	<u>2,375</u>
Total	<u>\$13,656</u>

The Board may terminate the lease after 60 days notice in the event the State of Louisiana provides adequate space in a state-owned building.

M. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligation account group, not in the governmental funds.

The following is a summary of the long-term obligation transactions during the year:

Long-term obligations payable at July 1, 1996	\$ 1,904
Additions	-
Deductions	<u>1,365</u>
Long-term obligations payable at June 30, 1997	<u>\$ 539</u>

N. RELATED PARTY TRANSACTIONS

The Board has entered into an informal agreement with the Louisiana Auctioneers Licensing Board to share furniture and equipment, payroll costs, and office expenses. At June 30, 1997 this Board owes the Auctioneers Board \$1,136 which is included as part of accounts payable.

O. LITIGATION

At June 30, 1997, there was no litigation pending against the Board.

**Zahn, Kenney & Bresette**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Louisiana State Board of Examiners of Interior Designers  
Department of Economic Development  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Board of Examiners of Interior Designers (Board), a component unit of the Department of Economic Development, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated August 5, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Board, is the responsibility of the Board's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein, under government auditing standards.

This report is intended for the information of the Board, management, and the Legislative Audit Advisory Committee. However, this report is a matter of public record and its distribution is not limited.

*Zahn, Kenney & Bresette*

Metairie, Louisiana  
August 5, 1997

**Zahn, Kenney & Bresette**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE  
OR BASIC FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Louisiana State Board of Examiners of Interior Designers  
Department of Economic Development  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Board of Examiners of Interior Designers (Board), a component unit of the Department of Economic Development, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated August 5, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Board, for the year ended June 30, 1997, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Board is responsible for establishing and maintaining internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Board, for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements. We consider the following to be a reportable condition:

Because the Board has only one employee, there is an no segregation of duties consistent with appropriate control objectives. This occurs because it is not financially feasible for the Board to employ additional people.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Board in a separate letter dated August 5, 1997.

This report is intended for the information of Board management and the Legislative Audit Advisory Committee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*John Kenney & Bresette*

Metairie, Louisiana

August 5, 1997



LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

SUPPLEMENTAL INFORMATION SCHEDULE

FOR THE YEAR ENDED JUNE 30, 1997

The schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members were paid \$75 per day for each board meeting they attend, as authorized by Louisiana Revised Statute 37:3175.

LOUISIANA STATE BOARD OF EXAMINERS  
OF INTERIOR DESIGNERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 1997

<u>Name</u>	<u>Amount</u>
J. Daniel Bouligny	\$ 675
William D. Ray	300
Deborah Steinmetz	525
Robert King	600
Nell Fetzer	75
Michele Braden	300
Paulette Hebert	525
Missy Wagner	<u>600</u>
Total	\$ <u>3,600</u>

- c.) Appointment of a Board member to review a list of the licenses issued during the month and compare it to the cash receipts for the month to verify that cash is received for each license issued. The cash receipts should then be compared to the deposits per the bank statement to verify that all cash receipts are being timely deposited.
- d.) The finance committee should review the cash disbursements journal each month to determine that expenditures are in accordance with directives. A review of selected invoices for proper authorization and cancellation would also be appropriate.

The above activities, with the exception of the bank reconciliation, could be done at the regular bi-monthly Board meeting.

- 3.) We reported in our last audit letter dated September 11, 1996 that the budget included a deficit. Again for this fiscal year the budget was in a deficit position. We realize that this condition has been caused by a continuing decrease in the licensee population. However, at the current deficit level the Board's fund balance will be depleted in two years. It is our understanding that the Board has obtained a fee increase at the 1997 Legislative session which should alleviate this condition. A revision of the budget for the fiscal year ending June 30, 1998 should be considered to present the expected results of this increase.

We will review the status of these comments during our next audit engagement. We have already discussed these matters with Board management. We will be pleased to perform any additional study of these matters or to assist in implementation of procedures to rectify them.

*Zahn, Kenney & Brisette*  
Metairie, Louisiana  
August 5, 1997