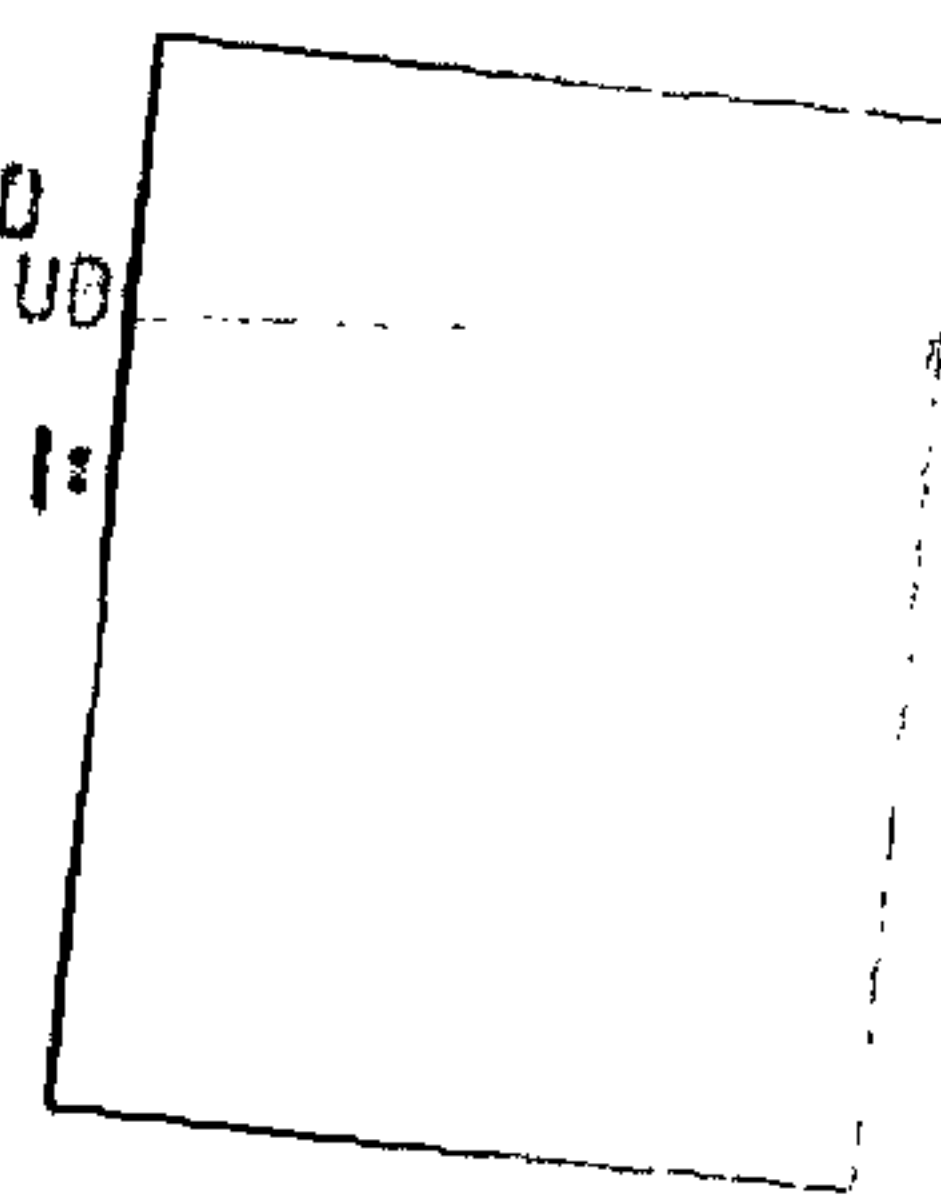


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LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA

BASIC FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004

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

Release Date 8-25-04

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA

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DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

GLYNN R. DYER, CPA (APC)
ERIC J. VICKNAIR, CPA (APC)

FAX (225) 292-1041

INDEPENDENT AUDITORS' REPORT

Louisiana State Board of Private Security Examiners
Department of Public Safety and Corrections
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA

a component unit of the State of Louisiana, as of and for the two years ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of Louisiana State Board of Private Security Examiner'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 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 basic financial statements are free of material misstatement. An 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 Louisiana State Board of Private Security Examiners as of June 30, 2004, and the results of its operations for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

(SEND ALL CORRESPONDENCE TO THE BATON ROUGE ADDRESS)

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(CERTIFIED PUBLIC ACCOUNTANTS)

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2004, on our consideration of Louisiana State Board of Private Security Examiner's internal control over financial reporting and our tests of its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit

Management's discussion and analysis, on pages 3 through 6, is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the accompanying basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Louisiana State Board of Security Examiners. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baton Rouge, Louisiana
July 26, 2004

Dyer & Vicknair

REQUIRED SUPPLEMENTAL INFORMATION

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Louisiana State Board of Private Security Examiner's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2004. Read it in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

The Board's assets exceeded its liabilities by \$ 364,069 (net assets), which represents a 2% increase from June 30, 2003.

Total net assets are comprised of the following:

1. Capital assets, net of related debt, of \$ 227,664 include land, building, automobile and office equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Unrestricted net assets of \$ 136,405 represent the portion available to maintain the Board's continuing obligations.

Total liabilities of \$ 252,628 are comprised of the following:

1. Current liabilities of \$ 38,161
2. Long term debt outstanding of \$ 190,056
3. Other non-current liabilities of \$ 24,421

During the year, operating revenues increased by \$ 119,468 or 29% to \$ 526,966 and operating expenses increased by \$ 55,934 or 13% to \$ 500,687.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board is engaged only in business-type activities. The basic financial statements include enterprise fund financial statements, notes to the financial statements and additional information to supplement the basic financial statements.

Enterprise Fund Financial Statements

The Board's annual report includes three financial statements. These statements are prepared on the accrual basis of accounting which is similar to the accounting used by most private-sector companies.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 (continued)

The first of these financial statements is the Statement of Net Assets. This is the statement of position presenting information that includes all of the Board's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator if the Board's financial health is improving or deteriorating.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Board's assets changed as a result of current year operations. All current year revenues and expenses are included regardless of when cash is received or paid.

The third financial statement is the Statement of Cash Flows which reports how cash changed as a result of current year operations.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

Financial Analysis of the Board as a Whole

The following provides a summary of the Board's net assets:

	June 30,	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 198,987	\$ 175,644
Capital assets	<u>417,720</u>	<u>433,601</u>
<u>Total assets</u>	<u>616,707</u>	<u>609,245</u>
Long term debt outstanding	190,056	206,651
Other liabilities	<u>62,582</u>	<u>45,346</u>
<u>Total liabilities</u>	<u>252,638</u>	<u>251,997</u>
Net assets		
Invested in capital assets	227,664	226,949
Unrestricted	<u>136,405</u>	<u>130,299</u>
<u>Total net assets</u>	<u>364,069</u>	<u>357,248</u>

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 (continued)

The following provides a summary of the Board's changes in net assets.

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Operating revenues	\$ 526,966	\$ 407,498
Non-operating revenues	<u>1,606</u>	<u>3,117</u>
<u>Total revenues</u>	<u>528,572</u>	<u>410,615</u>
 <u>Expenses</u>		
Operating expenses	500,687	444,753
Non-operating expenses	<u>21,064</u>	<u>19,216</u>
<u>Total expenses</u>	<u>521,751</u>	<u>463,969</u>
 Increase (decrease) in net assets	6,821	(53,354)
 Beginning net assets	<u>357,248</u>	<u>410,602</u>
 Ending net assets	<u><u>364,069</u></u>	<u><u>357,248</u></u>

BUDGETARY HIGHLIGHTS

The original budget was not revised during the year.

Revenues exceeded budgetary estimates by \$ 19,212 and expenses exceeded budgetary estimates by \$ 12,391.

CAPITAL ASSETS

At June 30, 2004, the Board had \$ 417,720 invested in capital assets, net of accumulated depreciation. The Board's capital assets are comprised of land, building, automobile and office equipment.

DEBT

At June 30, 2004, the Board had \$ 190,056 in notes outstanding versus \$ 206,651 last year, a decrease of 9%.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management does not foresee any economic factors affecting the Board's operations for the year ending June 30, 2005.

For the year ending June 30, 2005, the Board approved a total budget of \$ 538,440, an increase of 6% over the June 30, 2004 budget. Budgeted expenditures are expected to decrease 6% to \$ 478,371 from \$ 509,360 in the year ended June 30, 2005.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and demonstrate the Board's commitment to public accountability. If you have any questions about this report, contact the Board's office at 15703 Old Hammond Highway, Baton Rouge, Louisiana 70816.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETSCurrent assets

Cash and cash equivalents	\$ <u>198,987</u>
---------------------------	-------------------

<u>Total current assets</u>	<u>198,987</u>
-----------------------------	----------------

Non-current assets

Capital assets

Land	90,000
------	--------

Building	356,270
----------	---------

Automobile	30,641
------------	--------

Equipment	28,506
-----------	--------

Accumulated depreciation	<u>(87,697)</u>
--------------------------	-----------------

<u>Net capital assets</u>	<u>417,720</u>
---------------------------	----------------

<u>Total non-current assets</u>	<u>417,720</u>
---------------------------------	----------------

<u>Total assets</u>	<u>616,707</u>
---------------------	----------------

LIABILITIESCurrent liabilities

Accounts payable	33,461
------------------	--------

Accrued expenses	4,700
------------------	-------

Notes payable - current	<u>18,055</u>
-------------------------	---------------

<u>Total current liabilities</u>	<u>56,216</u>
----------------------------------	---------------

Non-current liabilities

Compensated absences payable	24,421
------------------------------	--------

Notes payable - non-current	<u>172,001</u>
-----------------------------	----------------

<u>Total non-current liabilities</u>	<u>196,422</u>
--------------------------------------	----------------

<u>Total liabilities</u>	<u>252,638</u>
--------------------------	----------------

NET ASSETS

Invested in capital assets, net of related debt	227,664
---	---------

Unrestricted	<u>136,405</u>
--------------	----------------

<u>Total net assets</u>	<u>364,069</u>
-------------------------	----------------

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
TWO YEARS ENDED JUNE 30, 2004

	YEAR ENDED JUNE 30,	
	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>		
Licenses and fees	\$ <u>526,966</u>	\$ <u>407,498</u>
<u>Total operating revenues</u>	<u>526,966</u>	<u>407,498</u>
<u>OPERATING EXPENSES</u>		
Personal services and related benefits	352,306	323,129
Operating services	75,553	51,618
Professional services	36,102	40,464
Materials and supplies	7,270	4,198
Travel	6,440	5,003
Depreciation	15,881	15,869
Capital outlay	<u>7,135</u>	<u>4,472</u>
<u>Total operating expenses</u>	<u>500,687</u>	<u>444,753</u>
<u>Operating income (loss)</u>	<u>26,279</u>	<u>(37,255)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment earnings	1,606	3,117
Interest expense	<u>(21,064)</u>	<u>(19,216)</u>
<u>Total non-operating revenues (expenses)</u>	<u>(19,458)</u>	<u>(16,099)</u>
<u>Change in net assets</u>	6,821	(53,354)
<u>TOTAL NET ASSETS, beginning of the year</u>	<u>357,248</u>	<u>410,602</u>
<u>TOTAL NET ASSETS, end of the year</u>	<u>364,069</u>	<u>357,248</u>

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
TWO YEARS ENDED JUNE 30, 2004

	<u>YEAR ENDED</u>	
	<u>JUNE 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING EXPENSES</u>		
Cash received from customers	\$ 553,506	\$ 419,947
Cash payments to suppliers and employees for goods and services	<u>(493,930)</u>	<u>(417,059)</u>
<u>Net cash provided by operating activities</u>	<u>59,576</u>	<u>2,888</u>
<u>CAPITAL FLOWS FROM CAPITAL AND RELATED FINANCING</u>		
Principal paid on note	(16,595)	(18,427)
Interest paid on note	(21,064)	(19,216)
Purchase of equipment	<u> </u>	<u>(8,165)</u>
<u>Net cash provided (used) by capital and related financing activities</u>	<u>(37,659)</u>	<u>(45,808)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received on cash and cash equivalents	<u>1,606</u>	<u>3,117</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	23,523	(39,803)
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>175,464</u>	<u>215,267</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>198,987</u>	<u>175,464</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 26,279	\$ (37,255)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	15,881	15,869
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		12,381
Increase (decrease) in accounts payable	2,237	24,728
Increase (decrease) in accrued expenses	4,700	
Increase (decrease) in compensated absences	<u>10,479</u>	<u>(12,835)</u>
<u>Net cash used by operating activities</u>	<u>59,576</u>	<u>2,888</u>

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004

INTRODUCTION

The Louisiana State Board of Private Security Examiners (the Board) is a component unit of the State of Louisiana created as provided by Louisiana Revised Statutes (R.S.) 37:3270-3298 within the Louisiana Department of Public Safety and Corrections. The Board is composed of nine members appointed by the governor, who serve for five years. The Board is charged with reviewing credentials of applicants for licensure, licensing those candidates who meet qualifications, and investigating complaints. Operations of the Board are funded entirely through self-generated revenues.

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of Louisiana State Board of Private Security Examiners have been prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. In conformance with GASB Codification Section 2100, the Board is a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the Board members and public service is rendered within the state's boundaries. The accompanying basic financial statements present only the transactions of Louisiana State Board of Private Security Examiners, a component unit of the State of Louisiana.

C. Method of Accounting

Statement No. 34 ("*Statement 34*") of the Government Accounting Standards Board "*Basic Financial Statements - and Management's*

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
(continued)

Discussion and Analysis - for State and Local Governments," established standards for external financial reporting for all state and local government entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and, unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The financial statements of the Board are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board (GASB) Statement No. 20, the Board has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
(continued)

D. Capital Assets

Capital assets, which includes land, building, automobile and equipment are valued at historical cost. Repairs and maintenance are recorded as expenses.

Assets capitalized have an original cost of \$ 5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight line method. Estimated useful lives are follows:

Building	25 years
Automobile	5 years
Equipment	5 years

E. Encumbrances

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the application, is not employed.

F. Cash and Investments

Cash includes cash and demand deposits. Under state law, the Board may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under state law, the Board may invest in United States bonds, treasury notes, or certificates.

The Board considers time deposits and investments with an original maturity of ninety days or less to be cash equivalents. If the original maturities exceed ninety days, they are classified as investments.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
(continued)

G. Compensated Absences Payable

The Board accrues its liabilities for earned but unpaid vacation costs.

H. Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

I. Statement of Cash Flows

For purposes of the statements of cash flows, the Board considers all currency, demand deposits and money market accounts with banks or other financial institutions to be cash equivalents.

NOTE #2: LEGAL COMPLIANCE - BUDGET

The Board adopts a budget for the year. Formal budget integration is employed as a management control device during the year. Although appropriations lapse at the end of the year, the Board returns its unexpended fund balance to fund expenditures of the succeeding year. Budgetary amendments require the approval of the Board. The budgeted amounts are not reflected in the financial statements.

NOTE #3: CASH AND CASH EQUIVALENTS

At June 30, 2004, the Board has cash (book balances) totaling \$ 198,987 invested in interest and non-interest bearing demand deposits.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
 (continued)

NOTE #4: CAPITAL ASSETS

Capital assets activity for the two years ended June 30, 2004 was as follows:

	Balance June 30, <u>2002</u>	<u>Additions</u>	Balance June 30 <u>2003</u>	<u>Additions</u>	Balance June 30, <u>2004</u>
Capital assets not being depreciated					
Land	\$ <u>90,000</u>	\$ <u>0</u>	\$ <u>90,000</u>	\$ <u>0</u>	\$ <u>90,000</u>
Capital assets being depreciated					
Building	\$ 356,270		\$ 356,270		\$ 356,270
Equipment & furniture	<u>50,872</u>	<u>8,165</u>	<u>59,037</u>	<u> </u>	<u>59,037</u>
<u>Total</u>	<u>407,142</u>	<u>8,165</u>	<u>415,307</u>	<u> </u>	<u>415,037</u>
Less: accumulated depreciated					
Building	17,814	8,907	26,721	8,907	35,628
Equipment & furniture	<u>38,133</u>	<u>6,974</u>	<u>45,107</u>	<u>6,974</u>	<u>52,081</u>
<u>Total</u>	<u>55,947</u>	<u>15,881</u>	<u>71,828</u>	<u>15,881</u>	<u>87,709</u>
<u>Total capital assets being depreciated, net</u>	<u>351,195</u>	<u>(7,716)</u>	<u>343,479</u>	<u>(15,881)</u>	<u>327,598</u>
<u>Total capital assets</u>	<u>441,195</u>	<u>(7,716)</u>	<u>433,479</u>	<u>(15,881)</u>	<u>417,598</u>

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
 (continued)

NOTE #5: NOTES PAYABLE

Note payable at June 30, 2004 is an installment note dated June 7, 2001, in the original amount of \$ 241,000 and a current balance of \$ 190,056. An office building secures the note. The note is payable in 120 monthly installments of \$3,137 at 9.5% interest. The note matures on July 7, 2011.

The following is a summary of note payable transactions for the two years ended June 30, 2004:

<u>Balance</u> <u>June 30,</u> <u>2002</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
<u>\$ 225,077</u>	<u>\$ 18,426</u>	<u>\$ 206,651</u>	<u>\$ 16,595</u>	<u>\$ 190,056</u>

The annual aggregate maturities for the years subsequent to June 30, 2004, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 18,055	\$ 19,587	\$ 37,642
2006	20,465	17,177	37,642
2007	22,495	15,147	37,642
2008	24,729	12,913	37,642
2009	29,565	8,097	37,642
Thereafter	<u>74,747</u>	<u>16,463</u>	<u>91,230</u>
Totals	<u>190,056</u>	<u>89,384</u>	<u>279,440</u>

NOTE #6: COMPENSATED ABSENCES PAYABLE

The following is a summary of the compensated absences transactions for the two years ended June 30, 2004:

Balance, June 30, 2002	\$ 26,777
Decrease in liability	<u>(12,835)</u>

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
 (continued)

Balance, June 30, 2003	\$ 13,942
Increase in liability	<u>10,479</u>
Balance, June 30, 2004	<u><u>24,421</u></u>

NOTE # 7 RETIREMENT SYSTEM

Substantially all eligible full-time employees of the Board are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer (cost-sharing) public employee retirement system (PERS) controlled and administered by a separate Board of Trustees. Contributions of participating agencies are pooled within the System to fund accrued benefits, with contribution rates approved by Louisiana.

All full-time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months average salary multiplied by their years of credited service. Vested employees may retire at a.) any age with thirty years of service; b.) age 55 with twenty five years of service; or, c.) at age 60 with ten years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues stand-alone financial statements that may be obtained at Post Office Box 44213, Baton Rouge, LA 70804.

In addition to the employee contributions of 7.5 percent of gross salary, the Board contributes an additional 15.8 percent of gross salary to the System. Employer contributions to the System were \$ 40,119, \$ 32,665, and \$ 23,779 respectively, for the years ended June 30, 2004, 2003, and 2002. Under present statutes, the Board does not guarantee any of the benefits of the System.

NOTE #8: DEFERRED COMPENSATION PLAN

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

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JUNE 30, 2004
(continued)

NOTE #9: LITIGATION

There were no judgments, claims or similar contingencies pending against the Board at June 30, 2004.

NOTE #10: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board has no retired employees receiving post-retirement health care and life insurance benefits.

NOTE #11: PER DIEM

Board members are not paid per diem for attendance at board meetings.

DYER & VICKNAIR

(CERTIFIED PUBLIC ACCOUNTANTS)

GLYNN R. DYER, CPA (APC)
ERIC J. VICKNAIR, CPA (APC)

FAX (225) 292-1041

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

Louisiana State Board of Private Security Examiners
Department of Safety
State of Louisiana
Baton Rouge, Louisiana

We have audited the basic financial statements of

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
DEPARTMENT OF SAFETY
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA

as of and for the two years ended June 30, 2004, and have issued our report thereon dated July 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana State Board of Private Security Examiner's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that are required to be reported under *Government Auditing Standards*.

(SEND ALL CORRESPONDENCE TO THE BATON ROUGE ADDRESS)

2933 BRAKLEY DRIVE - SUITE B
564 FERDINAND STREET

BATON ROUGE, LOUISIANA 70816
ST. FRANCISVILLE, LOUISIANA 70775

(225) 292-1040
(225) 635-4204

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana State Board of Private Security Examiner's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control on financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. By provision of state law, this report is a public document and it has been distributed to appropriate public officials.

There were no comments concerning compliance or internal control noted in the audit for the two years ended June 30, 2002.

Baton Rouge, Louisiana
July 26, 2004

Dyer & Vicknair

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA
TWO YEARS ENDED JUNE 30, 2004

SUMMARY OF AUDITORS' REPORT

An unqualified opinion was issued on the basic financial statements for the two years ended June 30, 2004.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No reportable conditions were disclosed by our audit.

No material noncompliance was disclosed by our audit.

No material findings were disclosed by our audit.

MANAGEMENT LETTER

A management letter was not issued as part of this audit.

LOUISIANA STATE BOARD OF
PRIVATE SECURITY EXAMINERS
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA

ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION OFFICE OF STATEWIDE REPORTING
AND ACCOUNTING POLICY AS OF AND FOR
THE YEAR ENDED JUNE 30, 2004

The following supplemental information presents the financial position of Louisiana State Board of Private Security Examiners as of June 30, 2004, and the results of its operations for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Fiscal Report.

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2004

C O N T E N T S

AFFIDAVIT

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STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2004

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS

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

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

AFFIDAVIT

Personally came and appeared before the undersigned authority, Wayne R. Rogillio, Exec. Sect. (Name) (Title) of The Louisiana State Board of Private Security Examiners who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana State Board of Private Security Examiners at June 30, 2004 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 16th day of August, 2004.

Wayne R. Rogillio
Signature of Agency Official

Penny Pittman
NOTARY PUBLIC

Prepared by: _____
Title: _____
Telephone No.: _____
Date: _____

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
BALANCE SHEET
AS OF JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	<u>198,987</u>
Investments (Note C2)		
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		<u>198,987</u>

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		<u>90,000</u>
Buildings and improvements		<u>320,642</u>
Machinery and equipment		<u>7,078</u>
Infrastructure		
Construction in progress		
Other noncurrent assets		
Total noncurrent assets		<u>417,720</u>
Total assets	\$	<u><u>616,707</u></u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	<u>38,161</u>
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		<u>18,055</u>
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		<u>56,216</u>

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		<u>24,421</u>
Capital lease obligations (Note J)		
Notes payable		<u>172,001</u>
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		<u>196,422</u>
Total liabilities		<u>252,638</u>

NET ASSETS

Invested in capital assets, net of related debt		<u>227,664</u>
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		
Unrestricted		<u>136,405</u>
Total net assets		<u>364,069</u>
Total liabilities and net assets	\$	<u><u>616,707</u></u>

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

Statement A

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004**

OPERATING REVENUES	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	526,966
Other	_____
Total operating revenues	526,966
OPERATING EXPENSES	
Cost of sales and services	_____
Administrative	484,806
Depreciation	15,881
Amortization	_____
Total operating expenses	500,687
Operating income(loss)	26,279
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	1,606
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	(21,064)
Other	_____
Total non-operating revenues(expenses)	(19,458)
Income(loss) before contributions and transfers	6,821
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	6,821
Total net assets – beginning as restated	357,248
Total net assets – ending	\$ <u>364,069</u>

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

Statement B

STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Component Unit:				
Operating	\$ <u>521,751</u>	\$ <u>526,966</u>	\$ _____	\$ _____
General revenues:				
Taxes				_____
State appropriations				_____
Grants and contributions not restricted to specific programs				_____
Interest				<u>1,606</u>
Miscellaneous				_____
Special items				_____
Transfers				_____
Total general revenues, special items, and transfers				<u>1,606</u>
Change in net assets				<u>6,821</u>
Net assets - beginning				<u>357,248</u>
Net assets - ending				\$ <u><u>364,069</u></u>

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

Statement C

Statement C

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash flows from operating activities		
Cash received from customers	\$	553,506
Cash payments to suppliers for goods and services		<u>(141,624)</u>
Cash payments to employees for services		<u>(352,306)</u>
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		<u>59,576</u>
Cash flows from non-capital financing activities		
State appropriations		
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		
Other		
Transfers In		
Transfers Out		
Net cash provided(used) by non-capital financing activities		<u>0</u>
Cash flows from capital and related financing		
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		<u>(16,595)</u>
Interest paid on notes payable		<u>(21,064)</u>
Acquisition/construction of capital assets		
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		<u>(37,659)</u>
Cash flows from investing activities		
Purchases of investment securities		
Proceeds from sale of investment securities		
Interest and dividends earned on investment securities		<u>1,606</u>
Net cash provided(used) by investing activities		<u>1,606</u>
Net increase(decrease) in cash and cash equivalents		<u>23,523</u>
Cash and cash equivalents at beginning of year		<u>175,464</u>
Cash and cash equivalents at end of year	\$	<u>198,987</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2004

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

Operating income(loss)		\$ <u>26,279</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	15,881	
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	0	
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets		
Increase(decrease) in accounts payable and accruals	6,937	
Increase(decrease) in accrued payroll and related benefits		
Increase(decrease) in compensated absences payable	10,479	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in other liabilities		
 Net cash provided(used) by operating activities		 \$ <u><u>59,576</u></u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	_____
Contributions of fixed assets	_____
Purchases of equipment on account	_____
Asset trade-ins	_____
Other (specify)	_____
_____	_____
_____	_____
Total noncash investing, capital, and financing activities:	<u><u>0</u></u>

(Concluded)

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

INTRODUCTION

The Louisiana State Board of Private Security Examiners was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:3270-3298. The following is a brief description of the operations of Louisiana State Board of Private Security Examiners:

The Board is composed of nine members, appointed by the Governor. The members serve terms of five years. The Board is charged with the responsibility of reviewing credentials of applicants for licensure, licensing those candidates who meet qualifications, and investigating complaints. Operations of the Board are funded entirely through self-generated revenues.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

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

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

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

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

Revenue Recognition

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

Expense Recognition

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

B. BUDGETARY ACCOUNTING

Annually the Board adopts a budget that is submitted to the Louisiana Department of Public Safety as prescribed by LRS 36:803 and submitted to the Legislature in accordance with LRS 39:1331-1342. Although budget amounts lapse at year-end, the board retains its unexpended fund balance to fund expenditures of the succeeding year. All funds budgeted are immediately available, as the Board's operations are financed with self-generated revenue.

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004**

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>509,360</u>
Amendments:	_____

Final approved budget	\$ <u><u>509,360</u></u>

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 State Board of Private Security Examiners may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana State Board of Private Security Examiners 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.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets 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.

	Deposits in bank accounts			<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	
Deposits in bank accounts per balance sheet	\$ <u>198,737</u>	\$ _____	\$ _____	\$ <u>198,737</u>
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004

The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held 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. The deposits at June 30, 2003, were secured as follows:

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

	<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1.	Hancock Bank	Checking	\$ 195,384
2.			
3.			
4.			
Total			\$ 195,384

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 this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	\$	
Petty cash	\$	250

2. INVESTMENTS

Upon implementation of GASB Statement 31, reported amount and fair value will often be the same number.

The Louisiana State Board of Private Security Examiners does not maintain investment accounts as authorized.

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS**

Notes to the Financial Statement

As of and for the year ended June 30, 2004

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES 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 are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

Year ended June 30, 2004

	Balance 6-30-03	Additions	Transfers *	Retirements	Balance 6/30/2004	Prior Period Adjustment	Adjusted Balance 6/30/2004
Capital assets not being depreciated							
Land	90,000	--	--	--	90,000	--	90,000
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Construction in progress	--	--	--	--	--	--	--
Total capital assets not being depreciated	90,000	--	--	--	90,000	--	90,000
Other capital assets							
Furniture, fixtures, and equipment	59,147	--	--	--	59,147	--	59,147
Less accumulated depreciation	(45,095)	(6,974)	--	--	(52,069)	--	(52,069)
Total furniture, fixtures, and equipment	14,052	(6,974)	--	--	7,078	--	7,078
Buildings and improvements	356,270	--	--	--	356,270	--	356,270
Less accumulated depreciation	(26,721)	(8,907)	--	--	(35,628)	--	(35,628)
Total buildings and improvements	329,549	(8,907)	--	--	320,642	--	320,642
Depreciable land improvements	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total depreciable land improvements	--	--	--	--	--	--	--
Infrastructure	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total infrastructure	--	--	--	--	--	--	--
Total other capital assets	343,601	(15,881)	--	--	327,720	--	327,720
Capital Asset Summary:							
Capital assets not being depreciated	90,000	--	--	--	90,000	--	90,000
Other capital assets, at cost	415,417	--	--	--	415,417	--	415,417
Total cost of capital assets	505,417	--	--	--	505,417	--	505,417
Less accumulated depreciation	(71,816)	(15,881)	--	--	(87,697)	--	(87,697)
Capital assets, net	433,601	(15,881)	--	--	417,720	--	417,720

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004

E. INVENTORIES

The unit's inventories are considered immaterial and are expensed when purchased.

F. RESTRICTED ASSETS -N/A

Restricted assets in the Louisiana State Board of Private Security Examiners at June 30, 2004, reflected at \$_____ in the non-current assets section on Statement A, consist of \$_____ in cash with fiscal agent, \$_____ in receivables, and \$_____ investment in _____ (identify the type investments held.)

G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana State Board of Private Security Examiners has the following policy on annual and sick leave:

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

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise 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.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2004 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$_-0-_____. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

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

All full-time Louisiana State Board of Private Security Examiners employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Louisiana State Board of Private Security Examiners 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, 2004, was 15.8% of annual covered payroll. The Louisiana State Board of Private Security Examiners contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$40,119, \$32,665, and \$23,779, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all Louisiana State Board of Private Security Examiners employees become eligible for post employment health care, dental and life insurance benefits if they reach normal retirement age while working for the Louisiana State Board of Private Security Examiners. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Louisiana State Board of Private Security Examiners. For 2004, the cost of providing those benefits for the -0- retirees totaled \$-0-.

The Louisiana State Board of Private Security Examiners provides certain continuing health care and life insurance benefits for its retired employees. Substantially all Louisiana State Board of Private Security Examiners employees become eligible for those benefits if they reach normal retirement age while working for the Louisiana State Board of Private Security Examiners. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and by the Louisiana State Board of Private Security Examiners. The Louisiana State Board of Private Security Examiners recognizes the cost of providing these benefits (Louisiana State Board of Private Security Examiners' portion of premiums) as an expenditure when paid during the year, which was \$10,422 for the year ended June 30, 2004.

J. LEASES - n/a

1. OPERATING LEASES

The total payments for operating leases during fiscal year _____ amounted to \$ _____. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009- 2013</u>	<u>FY2014- 2018</u>
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004

- 2. CAPITAL LEASES - n/a
- 3. LESSOR DIRECT FINANCING LEASES - n/a
- 4. LESSOR – OPERATING LEASE – n/a

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2004:

	Balance June 30, 2003	Year ended June 30, 2004		Balance June 30, 2004	Amounts due within one year
		Additions	Reductions		
Bonds and notes payable:					
Notes payable	\$ 206,651	\$	\$ 16,595	\$ 190,056	\$ 18,055
Reimbursement contracts payable				--	
Bonds payable				--	
Total notes and bonds	<u>206,651</u>	<u>--</u>	<u>16,595</u>	<u>190,056</u>	<u>18,055</u>
Other liabilities:					
Contracts payable				--	
Compensated absences payable	13,942	10,479	--	24,421	
Capital lease obligations				--	
Liabilities payable from restricted assets				--	
Claims and litigation				--	
Other long-term liabilities				--	
Total other liabilities	<u>13,942</u>	<u>10,479</u>	<u>--</u>	<u>24,421</u>	<u>--</u>
Total long-term liabilities	<u>220,593</u>	<u>10,479</u>	<u>16,595</u>	<u>214,477</u>	<u>18,055</u>

L. LITIGATION

1. The Louisiana State Board of Private Security Examiners is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation	Primary Attorney	Damages Claimed	Insurance Coverage
	none		\$	\$
Totals			\$ 0	\$ 0

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
Notes to the Financial Statement
As of and for the year ended June 30, 2004

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

At June 30, 2004 the Louisiana State Board of Private Security Examiners was not in violation of any contractual provisions or finance related legal provisions.

T. SHORT-TERM DEBT

The Louisiana State Board of Private Security Examiners did not issues short-term notes.

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
Operating	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Gross receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Amounts not scheduled for collection during the subsequent year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
Operating	\$ 33,461	\$ 4,700	\$ 0	\$ 0	\$ 38,161
Total payables	\$ 33,461	\$ 4,700	\$ 0	\$ 0	\$ 38,161

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004**

W. SUBSEQUENT EVENTS

There were no subsequent events to be reported.

X. SEGMENT INFORMATION

The Board did not have any reportable segments at June 30, 2003.

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts due from other funds detailed by individual fund at your fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____

2. List by fund type the amounts due to other funds detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____

3. List by fund type all transfers from other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____

4. List by fund type all transfers to other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____

STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The Board did not have any liabilities payable from restricted assets.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2004.

Fund balance July 1, 2003 <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2003 <u>As restated</u>
MACH & EQUIP	\$ 8,165	\$ 356,699
ACCUMULATED DEPRECIATION	369	357,068
AUDIT ADJUSTMENTS	180	357,248
		--
		--
		--

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2004
(Fiscal Close)

<u>Description of Funding</u>	<u>Amount</u>
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u><u>0</u></u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF BONDS PAYABLE
June 30, 2004
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June30, 2004
(Fiscal Close)

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2004	\$ _____	\$ _____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
Total	\$ _____ --	\$ _____ --

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2004	\$ _____	\$ _____	\$ _____	\$ _____
2005	_____	_____	_____	_____
2006	_____	_____	_____	_____
2007	_____	_____	_____	_____
2008	_____	_____	_____	_____
2009-2013	_____	_____	_____	_____
2014-2018	_____	_____	_____	_____
2019-2023	_____	_____	_____	_____
2024-2028	_____	_____	_____	_____
Total	\$ _____	\$ _____	_____	_____

**STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 SCHEDULE OF NOTES PAYABLE AMORTIZATION
 For The Year Ended June 30, 2004**

Fiscal Year <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ <u>18,055</u>	\$ <u>19,587</u>
2006	<u>20,465</u>	<u>17,177</u>
2007	<u>22,495</u>	<u>15,147</u>
2008	<u>24,729</u>	<u>12,913</u>
2009	<u>29,565</u>	<u>8,077</u>
2010-2014	<u>74,747</u>	<u>16,483</u>
2015-2019	<u> </u>	<u> </u>
2020-2024	<u> </u>	<u> </u>
2025-2029	<u> </u>	<u> </u>
Total	\$ <u><u>190,056</u></u>	\$ <u><u>89,384</u></u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2004	\$ _____	\$ _____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
Total	\$ _____ --	\$ _____ --

STATE OF LOUISIANA
 LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
 SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
 BUDGETARY COMPARISON OF CURRENT APPROPRIATION
 NON-GAAP BASIS
 JUNE 30, 2004

	Financial Statement	Adjustments	ISIS Appropriation Report-08/14/04	Revised Budget	Variance Positive/(Negative)
Operating Revenues:					
Intergovernmental Revenues	\$		\$		\$
Sales of Commodities and Services					
Other					
Total Operating revenues					
Operating Expenses:					
Personal services	\$		\$		\$
Travel					
Operating Services					
Supplies					
Professional services					
Capital outlay					
Interagency transfers					
Other charges					
Total Operating Expenses					
Nonoperating Expenses:					
Use of Money and Property					
Gain (Loss) on Disposal of Fixed Assets					
Federal Grants					
Interest Expense					
Other					
Total Nonoperating Expenses					
Capital Contributions					
Operating Transfers In					
Operating Transfers Out					
Change in Net Assets	\$	\$	\$	\$	\$

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS
SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
BUDGETARY COMPARISON OF CURRENT APPROPRIATION
NON-GAAP BASIS
JUNE 30, 2004

Budgeted Income (Loss)		\$	<u>0</u>
Reconciling items:			
Cash carryover			<u> </u>
Depreciation			<u> </u>
Payroll accrual			<u> </u>
Compensated absences adjustment			<u> </u>
Capital outlay			<u> </u>
Change in inventory			<u> </u>
Bad debts expense			<u> </u>
Prepaid expenses			<u> </u>
Principal payment			<u> </u>
Loan Principal Repayments included in Revenue			<u> </u>
Loan Disbursements included in Expenses			<u> </u>
Accounts receivable adjustment			<u> </u>
Accounts payable/estimated liabilities adjustment			<u> </u>
Other			<u> </u>
Change in Net Assets		\$	<u><u>0</u></u>

Concluded

Schedule 5

STATE OF LOUISIANA

LOUISIANA STATE BOARD OF PRIVATE SECURITY EXAMINERS

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>2004</u>	<u>2003</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 528,572	\$ 410,615	\$ 117,957	\$ 29
Expenses	521,751	463,969	57,782	13
2) Capital assets	417,720	425,067	7,347	2
Long-term debt	190,056	206,651	(16,595)	(8)
Net Assets	364,069	357,248	6,821	2

Explanation for change: Revenues increased due to an increase in certain license fees that went into effect during the year. Raises were given to employees resulting in an increase in expenses.

3)	<u>2004 Original Budget</u>	<u>2004 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 509,360	\$ 509,360	\$ 0	\$ 0
Expenditures	509,360	509,360	0	0

Explanation of change: _____

	<u>2004 Final Budget</u>	<u>2004 Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	509,360	528,572	19,212	4
Expenditures	509,360	521,751	12,391	3

Explanation of change: _____

Information for Note C "Deposits with Financial Institutions and Investments"
(GASB Statement 3 Amended by GASB Statement 40)

I. Purpose:

Note C provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the fiscal year ended date provides information about the credit risk and market risk of the deposits and investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments. **GASB Statement 40 has modified or eliminated portions of GASB Statement 3 including:**

1) modified the custodial credit risk disclosures of Statement 3 for deposits to limit the required disclosure to only category 3, thus eliminating the disclosures of category 1 and 2 deposits.

2) modified the custodial credit risk disclosures of Statement 3 for investments to limit the required disclosure to only category 3, thus eliminating the disclosures of category 1 and 2 investments.

3) established or modified disclosure requirements related to investment risks for concentrations of credit risk and interest rate risk (disclosures of investments that have fair values that are highly sensitive to changes in interest rates).

4) established disclosure requirements for foreign currency risks for both deposits and investments.

II. Comparison of amounts disclosed per requirements in Note C to amounts shown on the Balance Sheet (if Balance Sheet is required as part of AFR packet):

- Generally, the amounts of cash and investments on the balance sheet will not be classified exactly the way they would be classified in Note C.
- "Deposits with Financial Institutions" and "Investments" in Note C may be reported on the balance sheet using titles or line items that are different than those in Note C, or they may be combinations of titles or line items. For instance, "Deposits" in Note C may come from several line items on the balance sheet such as "Cash in Bank" and "CD's", or even "Investments" (See section II below that gives further guidance on what should be considered "Deposits" in note C).
- Line items on the balance sheet may include amounts that would be deposits in Note C, and may also include amounts that would be investments in Note C. Also, cash and cash equivalents line items on the balance sheet may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in Note C as deposits but as separate line items such as petty cash, cash on hand, and treasury cash. These amounts must be listed separately from the deposits.
- Each line item on the balance sheet that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in Note C.

III. "Deposits with Financial Institutions" section of Note C:

- Generally, this section of the Note C disclosure refers to the various examples of "Deposits With Financial Institutions" (See A. for examples). The term "cash and cash equivalents" is used in reference to GASB Statement 9 that affects presentation for the balance sheet and statement of cash flows, not the note disclosures required by GASB Statement 3 & 40. "Deposits with Financial Institutions" include deposit accounts in banks, savings and loan associations, and credit unions. They can be demand, savings, or time accounts, including negotiable order of withdrawal (NOW) accounts and non-negotiable CD's. As stated previously, deposits for Note C may be a combination of balance sheet line items or titles.
- Do not include treasury cash, petty cash not in a bank account, or cash on hand in Note C as part of the deposits in bank accounts. As mentioned previously, these amounts would be separate line items.

A. Examples and/or definitions:

Nonnegotiable Certificates of Deposit – Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as deposits for GASB 3 Note C disclosures.

(Negotiable CDs are securities that are normally sold in \$1 million units that are traded in a secondary market. These are treated as investments for Note C disclosures.)

Money Market Accounts – financial institution “money market” accounts are simply deposits that pay interest at a rate set to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for Note C disclosures.

Bank Investment Contracts (BICs) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since these are issued by a bank, they are treated as deposits for Note C disclosures.

B. Other definitions as applied to deposits:

Insured (Insurance) – deposits are insured by federal deposit insurance (FDIC), state deposit insurance, multiple financial institution collateral pools that insure public deposits, and even commercial insurance (if scope of coverage would be substantially the same as FDIC).

Collateral – Security pledged by a financial institution to a government entity for its deposits.

IV. “Investments” section of Note C:

- Following GASB Statement 3 requirements, investments (listed by type) were either “categorized as to level of credit risk” or “not categorized”, and were generally classified by whether they fit the definition of securities or not (see the definition of securities in section IV.C.). **GASB Statement 40 has eliminated the requirement to disclose investments by the 3 categories and classified or non-classified. Now investments are simply listed by type and if any category 3 investments exist, that fact would be disclosed in a paragraph form.**
- **Types of investments for listing investments by type definitions/examples:**
 1. Repurchase Agreements – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower): the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 2. U.S. Government Obligations – examples include treasury bills, treasury notes and treasury strips; obligations of certain U.S. Government Agencies such as FNMA, FHLB, or SLMA.
 3. Common & Preferred Stock – a security that represents an ownership interest in an entity.
 4. Commercial Paper (mortgages, notes, etc.) – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Almost all commercial paper is rated as to credit risk by rating services.
 5. Corporate Bonds
 6. Other (identify) – It is not appropriate to present material amounts of investments as “Other”, unless the note disclosure describes the composition of the “Other” category. The following are examples of other investments:
 - a. Closed-end Mutual Fund – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. A closed-end mutual fund has a constant number of shares, the value depends on the market supply and demand for the shares rather than directly on the value of the portfolio, the fund does issue certificates, and the securities are traded on a stock exchange.
 - b. Open-end Mutual Funds – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares to meet investor demand, the value depends directly on the value of the portfolio, the fund does not issue certificates but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.

c. Reverse Repurchase Agreements - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.

d. Investments in pools managed by another government – GASB 3 does not require the investment to be categorized as to level of risk, but it does not prohibit it either. Generally, these investments would not be categorized because they are not evidenced by securities that exist in physical or book entry form.

e. Private placements, such as venture capital and limited partnerships

f. Investments in real estate, annuity contracts, and direct investments in mortgages

V. Risk Disclosures for Deposits and Investments:

- Deposits and investments are subject to several types of risks, mainly **credit risk, market risk, interest rate risk, and foreign currency risk.**

Credit risk - defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Concentration of credit risk – defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Market risk – defined as the risk that the market value of investment securities, collateral securities protecting a deposit, or securities of a repurchase agreement will decline.

Interest rate risk – defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign currency risk – defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

A. Risk Disclosures for Deposits:

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who holds the collateral and how the collateral is held.

Collateral – Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.

Collateralized – When the entity's deposits are secured with securities pledged by the financial institution holding the deposits.

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name.

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name.

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name.

GASB Statement 40 has eliminated the requirement to disclose category 1 and 2 deposits. Only any category 3 deposits are now required to be disclosed. If an entity has deposits exposed to custodial credit risk Category 3, it should disclose:

1. the amount of those balances,
2. the fact that they are uninsured, and
3. whether the balances are either:
 - a. Uncollateralized,
 - b. Collateralized with securities held by the pledging financial institution, or
 - c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

B. Following GASB Statement 3, investments (listed by type) were either classified into three categories (depending on whether they are insured or registered and who holds the securities and how they are held), or listed as non-classified investments.

Category 1 – Investments that are insured (SIPC) or registered in the entity's name, or securities held by the entity or agent in the entity's name.

Category 2 – Investments that are not insured or registered, and the securities are held by the counterparty's trust department or agent in the entity's name.

Category 3 – Investments that are not insured or registered, and the securities are held by the counterparty or its trust department or agent not in the entity's name.

GASB Statement 40 has eliminated the requirement to disclose investments by the 3 categories and classified or non-classified. Now investments are simply listed by type and if any category 3 investments exist, that fact would be disclosed in a paragraph form.

Additional Risk Disclosures for Investments:

C. Securities as applied to the credit risk categories :

Securities – a transferable financial instrument that evidences ownership or creditorship. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (as collateral) governmental entities include:

- a. treasury bills, treasury notes, treasury bonds
- b. federal agency obligations
- c. corporate debt instruments (including commercial paper)
- d. corporate equity instruments
- e. negotiable CD's (keyword here is negotiable)
- f. bankers' acceptances
- g. shares of closed-end mutual funds (keyword here is closed-end)
- h. shares of unit investment trusts

2. Instruments or investments that are not securities include:

(These instruments or investments would therefore not be categorized as to credit risk for GASB 3 disclosure requirements)

- a. investments made directly with another party (such as limited partnerships)
- b. real estate
- c. direct investments in mortgages and other loans
- d. investments in open-ended mutual funds (keyword here is open-ended)
- e. pools managed by other governments
- f. annuity contracts
- g. guaranteed investment contracts