
LOUISIANA SCHOOL BOARDS ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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 APR 25 2012



A Professional Accounting Corporation

www.pncpa.com

LOUISIANA SCHOOL BOARDS ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana School Boards Association
Baton Rouge, Louisiana:

We have audited the accompanying consolidated statements of financial position of the Louisiana School Boards Association (a nonprofit organization) (the Association) as of June 30, 2011, and 2010, and the related statements of activities and changes in net assets and cash flows, for the year ended June 30, 2011. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

We were not able to satisfy ourselves regarding balances of the Association's assets, liabilities and net assets as of June 30, 2009. Assets, liabilities and net assets as of June 30, 2009 enter into the determination of changes in net assets and cash flows for the year ended June 30, 2010.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the results of operations and cash flows for the year ended June 30, 2010.

In our opinion, the consolidated statements of financial position of Louisiana School Boards Association as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the year ended June 30, 2011 present fairly, in all material respects, the financial position of Louisiana School Boards Association as of June 30, 2011, and 2010, and the changes in its net assets, and its cash flows for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of Louisiana School Boards Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses on pages 14-15 are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used for the year ended June 30, 2011 to prepare the financial statements. The information pertaining to the schedule of functional expenses on page 14 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in the schedule of functional expenses for the year ended June 30, 2011 is fairly stated in all material respects in relation to the financial statements as a whole. Because of the matter discussed in the third paragraph, we are unable to express, and do not express, an opinion on the consolidated schedule of functional expenses for the year ended June 30, 2010 on page 15 in relation to the financial statements as a whole.

Postlethwait + McDevitt

Baton Rouge, Louisiana

March 7, 2012

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS:</u>		
Cash - Unrestricted	\$ 80,104	\$ 85,979
Cash - Restricted litigation fund	137,658	163,306
Investments - LAMP	739,817	573,098
Accounts receivable:		
Federal programs	7,989	11,505
Other (less allowance for doubtful accounts of \$6,000)	9,950	20,085
Prepaid expenses	7,994	8,321
Other current assets	550	2,927
	<u>984,062</u>	<u>865,221</u>
<u>NON-CURRENT ASSETS:</u>		
Property and equipment (net of accumulated depreciation)	<u>68,341</u>	<u>71,131</u>
	<u>68,341</u>	<u>71,131</u>
Total non-current assets	<u>68,341</u>	<u>71,131</u>
Total assets	<u>\$ 1,052,403</u>	<u>\$ 936,352</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 3,615	\$ 7,695
Accrued leave	49,040	43,329
Deferred membership dues	9,128	1,000
	<u>61,783</u>	<u>52,024</u>
Total current liabilities	<u>61,783</u>	<u>52,024</u>
<u>NON-CURRENT LIABILITIES:</u>		
Claims payable	<u>184,679</u>	<u>190,074</u>
Total liabilities	<u>246,462</u>	<u>242,098</u>
<u>NET ASSETS:</u>		
Temporarily restricted - Litigation fund	137,658	163,306
Unrestricted	668,283	530,948
	<u>805,941</u>	<u>694,254</u>
Total net assets	<u>805,941</u>	<u>694,254</u>
Total liabilities and net assets	<u>\$ 1,052,403</u>	<u>\$ 936,352</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Federal - Grant funds received	\$ -	\$ 328,262	\$ 328,262
Dues revenue	721,876	-	721,876
Workshop registration & sponsorship	122,485	-	122,485
State convention	225,011	-	225,011
Advertising	45,085	-	45,085
Second injury fund reimbursement	35,789	-	35,789
NSBA reception sponsorship	11,400	-	11,400
QZAB program	15,000	-	15,000
Other	13,037	1,499	14,536
Net assets released from restrictions	355,409	(355,409)	-
Total revenues and other support	1,545,092	(25,648)	1,519,444
Expenses:			
Program services:			
Program services	1,103,407	-	1,103,407
Support services:			
Management and general	304,350	-	304,350
Total expenses	1,407,757	-	1,407,757
Change in net assets	137,335	(25,648)	111,687
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	530,948	163,306	694,254
<u>NET ASSETS AT END OF THE YEAR</u>	\$ 668,283	\$ 137,658	\$ 805,941

The accompanying notes are an integral part of these financial statements.

2010 (Unaudited)

Unrestricted	Temporarily Restricted	Total
\$ -	11,505	\$ 11,505
701,622	-	701,622
84,375	-	84,375
182,153	-	182,153
36,680	-	36,680
-	-	-
13,550	-	13,550
15,000	-	15,000
16,080	-	16,080
30,578	(30,578)	-
<u>1,080,038</u>	<u>(19,073)</u>	<u>1,060,965</u>
746,553	-	746,553
<u>250,086</u>	<u>-</u>	<u>250,086</u>
<u>996,639</u>	<u>-</u>	<u>996,639</u>
83,399	(19,073)	64,326
<u>447,549</u>	<u>182,379</u>	<u>629,928</u>
<u>\$ 530,948</u>	<u>\$ 163,306</u>	<u>\$ 694,254</u>

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	2011	(Unaudited) 2010
Change in net assets	\$ 111,687	\$ 64,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,349	9,263
Bad debt expense	-	6,000
Decrease (increase) in:		
Federal program receivables	3,516	(11,505)
Other receivables	10,135	(16,320)
Other assets	2,704	24,771
Increase (decrease) in:		
Accounts payable and accrued expenses	7,321	51,024
Net cash provided by operating activities	<u>142,712</u>	<u>127,559</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Furniture and equipment	(4,559)	(7,226)
Purchase of Investments	<u>(166,719)</u>	<u>(151,228)</u>
Net cash used in investing activities	<u>(171,278)</u>	<u>(158,454)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Claim payments - workman's compensation claims	(38,746)	(38,133)
Second injury reimbursement - workman's compensation claims	<u>35,789</u>	<u>-</u>
Net cash used in financing activities	<u>(2,957)</u>	<u>(38,133)</u>
Net decrease in cash	(31,523)	(69,028)
Beginning cash balance	<u>249,285</u>	<u>318,313</u>
Ending cash balance	<u>\$ 217,762</u>	<u>\$ 249,285</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Association

The Louisiana School Boards Association (LSBA) is a federation of the public school boards of Louisiana. LSBA has sponsored progressive school legislation, advocated improved teaching through increased salaries for teachers and administrators, adopted a code of ethics for school board members, and through its own activities and through cooperation with other educational agencies has stressed that efficient public schools are the foundation of American democracy.

LSBA is a nonprofit organization as described in Section 501(c)(4) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Support

LSBA receives grants from the public sector. The grants are for specific purposes and are passed through the State of Louisiana Department of Health and Hospitals to provide coordination of School Health Advisory Councils in 27 school boards charged to develop and implement comprehensive school wellness policies to address tobacco use, nutrition, and physical activity within Louisiana public schools including grades K-12. This grant is expenditure-driven and expenditures are reimbursed.

Revenue

LSBA receives revenue from the private sector. Dues are collected from school boards in Louisiana and are based on revenue at the respective school boards. Conventions are held for school board members and other related entities and individuals whereby LSBA collects exhibit fees, registration fees, and sponsor fees. Workshops are held for school board members and other related entities and individuals approximately once every quarter to provide educational information. LSBA also collects advertising revenue for the LSBA publications and membership to the CAPS Corporate Affiliate Program, which is a program where members receive certain advertising benefits.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board under *ASC No. 958 Not-for-Profit Entities*.

LSBA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets and permanently restricted net assets. Accordingly, the net assets of LSBA and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to grant stipulations or donor restrictions.
- *Temporarily restricted net assets* - Net assets subject to grant stipulations that will be met either by actions of LSBA and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to grant stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of LSBA pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all cash accounts held at financial institutions and cash on hand.

Restricted Cash

Restricted Cash consists of funds collected from member school boards for the purpose of funding a lawsuit collectively filed by member school boards. A corresponding amount is recorded as temporarily restricted net assets in the Statement of Financial Position.

Investments

LSBA maintains an investment account in an investment pool and are carried at fair value.

Advertising

LSBA expenses advertising costs as they are incurred.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment is capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Building	31 Years
Office equipment	5 Years
Office furniture	7 Years

Accounts Receivable

An amount of \$6,000 is recorded as an allowance for bad debts for the year ended June 30, 2011 and 2010. Accounts receivable net of the allowance is a reflection of the Statement of financial position.

Functional Expenses

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the various programs and administrative services based on estimates made by management.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tax Exempt Status

LSBA is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (4) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status (Continued)

LSBA applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, LSBA has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on LSBA.

LSBA's tax returns for the years ended June 30, 2008, 2009 and 2010 remain open and subject to examination by taxing authorities. LSBA's tax return due date for the year ended June 30, 2011 has been extended and will be filed by the extended due date.

Principals of Consolidation

The consolidated financial statements include the accounts of the LSBA and the Louisiana School Boards Insurance Trust (LSBIT). LSBIT is consolidated since LSBA has both an economic interest in LSBIT and control of LSBIT through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

2. ACCOUNTS RECEIVABLE

Accounts Receivable – Federal programs at June 30, 2011 and 2010 represent amounts due from the Louisiana Department of Health and Hospitals. All accounts receivable are deemed collectable and as such, no reserve for bad debts has been recorded.

3. INVESTMENTS

Investments are comprised of deposits with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

LAMP is an investment pool and participants' investments in the pool are evidenced by shares of the pool. LAMP is rated AAAM by Standard & Poor's. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP assets consist of no securities with a maturity in excess of 397 days. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

The investment in LAMP is stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. The balance in LAMP as of June 30, 2011 is \$739,817 and \$573,098 as of June 30, 2010.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2011:

Buildings	\$ 162,479
Furniture & Fixtures	38,858
Automobile	12,302
Equipment & Computers	<u>116,844</u>
	330,483
Less Accumulated Depreciation	<u>(262,142)</u>
Total	<u>\$ 68,341</u>

Depreciation expense for the year ending June 30, 2011 was \$7,349.

The following is a summary of property and equipment at June 30, 2010:

Buildings	\$ 162,479
Furniture & Fixtures	35,283
Automobile	12,302
Equipment & Computers	<u>115,863</u>
	325,927
Less Accumulated Depreciation	<u>(254,796)</u>
Total	<u>\$ 71,131</u>

Depreciation expense for the year ending June 30, 2010 was \$9,263.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. FEDERAL GRANTS

Federal grants received from the State of Louisiana Department of Health and Hospitals totaled \$328,262 for the year ended June 30, 2011 and \$11,505 for the year ended June 30, 2010.

6. COMMITMENTS AND CONTINGENCIES

LSBA is a defendant in a lawsuit, in which a former employee alleges breach of employment contract and is seeking compensation for unpaid amounts through the term of the employment contract. Legal council has advised LSBA that it is at least reasonably possible that the Plaintiff will be awarded up to \$500,000.

7. FINANCIAL INFORMATION ABOUT MEMBERS OF THE CONSOLIDATED GROUP

The Louisiana School Boards Insurance Fund (LSBIT) is a nonprofit trust established by LSBA to consolidate the workers' compensation insurance coverage for the member school boards in Louisiana. LSBIT provided workers' compensation insurance to its members through June 30, 1987. No coverage for initial workmen's compensation injuries occurring after June 30, 1987 has been provided by LSBIT. LSBIT remains liable for amounts due on remaining open claims for injuries which occurred prior to the June 30, 1987 date.

LSBIT limits the maximum net losses by reinsuring with other insurers under reinsurance contracts. In the event that all or any of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreement, LSBIT would be liable for such defaulted amounts.

The accounts of LSBIT are included in the consolidated financial statements. LSBIT's accounts include an insurance reserve liability of approximately \$185,000 and \$190,000 as of June 30, 2011 and 2010, respectively. LSBIT's cash and cash equivalents were approximately \$66,000 and \$75,000 as of June 30, 2011 and 2010, respectively. During the year ended June 30, 2011, LSBIT's accounts included second injury insurance fund reimbursements of approximately 35,000 and claims and other administrative expenses of approximately \$40,000.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INFORMATION ABOUT MEMBERS OF THE CONSOLIDATED GROUP
(Continued)

The following table provides a reconciliation of the beginning and ending reserve balance for workman's compensation claim losses, net of reinsurance and Second Injury Fund reimbursements:

	<u>Year Ended</u> <u>June 30, 2011</u>
Reserves, net of recoveries estimated at beginning of the year	\$ 190,074
Deduct payments, net of reinsurance and Second Injury Fund refunds, for claims that have occurred in prior years.	<u>(5,395)</u>
Reserves, net of reinsurance and Second Injury reimbursement estimates at end of the year	<u>\$ 184,679</u>
Estimated recoveries, at end of year, reported as a reduction of reserves for losses	<u>\$ 287,610</u>

8. SUBSEQUENT EVENTS

LSBA has evaluated subsequent events through the date that the financial statements were available to be issued, March 7, 2012, and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011		
	Administrative Expenses	Program Expenses	Total
EXPENSES:			
Salaries	\$ 89,712	\$ 358,849	\$ 448,561
Payroll Taxes	6,292	25,169	31,461
Employee Benefits	7,445	29,779	37,224
Advertising and Promotional Publications	65,719	-	65,719
Depreciation	7,349	-	7,349
Bad Debt Expense	-	-	-
Legislative Services	-	89,907	89,907
Grant Funds Distributed	-	229,500	229,500
Insurance	37,297	9,324	46,621
Dues	-	8,292	8,292
Technical and Professional Services	9,385	-	9,385
Legal Fees	16,054	64,216	80,270
Repairs and Maintenance	2,699	-	2,699
Board Meetings	12,320	-	12,320
Conventions, workshops and travel	-	192,411	192,411
Postage and Telephone	4,505	6,758	11,263
Utilities	6,200	-	6,200
Machines, Supplies, Repairs	5,937	23,747	29,684
Workman's compensation claims	-	38,746	38,746
Miscellaneous Expense	33,436	2,168	35,604
Total Expenses	\$ 304,350	\$ 1,103,407	\$ 1,407,757

The accompanying notes are an integral part of these financial statements.

2010 (Unaudited)

Administrative Expenses	Program Expenses	Total
\$ 76,409	\$ 305,636	\$ 382,045
6,261	25,042	31,303
5,095	20,378	25,473
52,955	-	52,955
-	23,183	23,183
9,263	-	9,263
600	5,400	6,000
-	87,942	87,942
-	-	-
33,042	8,261	41,303
-	9,719	9,719
16,234	-	16,234
8,070	32,281	40,351
12,028	-	12,028
15,237	-	15,237
-	155,967	155,967
4,435	6,653	11,088
5,205	-	5,205
4,161	16,644	20,805
-	38,134	38,134
1,091	11,313	12,404
\$ 250,086	\$ 746,553	\$ 996,639

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

Board of Directors
Louisiana School Boards Association
Baton Rouge, Louisiana:

We have audited the financial statements of the Louisiana School Boards Association (a nonprofit organization) (the Association) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified as findings 2011-1 and 2011-5 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified as findings 2011-2, 2011-3 and 2011-4 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana School Boards Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-6.

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the Association, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Penttharath & Mettunell

Baton Rouge, Louisiana
March 7, 2012

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified

- Material weakness(es) identified? X yes none reported
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

- Noncompliance material to financial statements noted? X yes none reported

Findings – Financial Statement Audit

2011-1 Disbursements

Criteria: Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions.

- Condition:
1. Invoice approval – Invoice approval procedures are not being implemented consistently. As such, numerous expenditures are being disbursed without the scrutiny of an individual who has the authority to approve the expenditures.
 2. Blank checks – Blank checks are accessible to all employees.
 3. Vendor creation in system – Vendors are created in the accounting system without prior authorization.
 4. Signatures – Checks require two signatures. Three people are authorized to sign checks, which are the board president (changes from year to year), the executive director, and the director of business and finance (currently an unoccupied position). The signature of the board president has previously been applied as a stamp, kept in a drawer in the accountant's office. The accountant, who does not have signing authority is responsible for changing authorized signer status at the bank.
 5. Wires – Wires are initiated by the accountant who also performs accounting and reconciliation duties.
 6. Credit cards and expense reports – There are two (2) employees with LSBA credit cards. There is no requirement for these employees to get pre-approval or document the business purpose of charges to the credit cards.

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Effect: Unauthorized transactions may not be prevented or detected timely.

Cause: Limited number of staff.

- Recommendation:**
1. Invoice approval – We recommend that LSBA reemphasize the need to have the Executive Director, or someone else who is independent of disbursing funds, approve the invoices prior to disbursement.
 2. Blank checks – We recommend that blank checks be controlled in a place that only authorized personnel have access too. Further, the numerical sequence of the checks should be monitored and controlled.
 3. Vendor creation in system – We recommend that the accountant obtain authorization from the Executive Director prior to creating vendors. If that is not practical, consider producing a list of vendors periodically for review and approval by the Executive Director.
 4. Signatures - The Board President's signature stamp is no longer used. His signatures are currently done manually. We recommend that LSBA continue with using manual signatures instead of stamped signatures, and dispose of any stamps that contain signatures. In addition, we recommend that a third authorized signer be added. This person should not be someone that performs accounting or reconciliation procedures. Further, we recommend that one of the authorized signers be responsible for initiating the additions and deletions of authorized signers with the bank and review the list of authorized signers periodically.
 5. Wires – We recommend that the accountant's ability to initiate wires be revoked and assigned to someone independent of accounting duties.
 6. Credit cards and expense reports - We recommend that employees be required to complete expense reports supporting the business purpose of credit card charges and have these expense reports approved by the Executive Director. The Executive Director's expense reports should be approved by the Board President or another officer of the Board.

Management's Response: Management concurs and will implement improved controls immediately.

2011-2 Payroll

Criteria: Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions.

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Condition:

1. Personnel file – Tax and health insurance information for each employee is maintained in the accountant’s office and is accessible to all employees.
2. Payroll review and approval – Payroll is processed semi-monthly. No payroll reports are generated and reviewed.

Effect: Unauthorized transactions may not be prevented or detected timely.

Cause: The Limited number of staff.

Recommendation:

1. Personnel file – We recommend that confidential employee information be secured in a locked room safe.
2. Payroll review and approval – We recommend that payroll reports be generated and approved by the Executive Director prior to disbursement of funds.

Management’s Response: Management concurs and will implement improved controls immediately.

2011-3 Bank Reconciliations

Criteria: Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions.

Condition: Monthly bank reconciliations are prepared by the accountant. However, the bank reconciliations and bank statements are not reviewed and approved.

Effect: Unauthorized transactions may not be prevented or detected timely.

Cause: The Limited number of staff.

Recommendation: We recommend that the Executive Director review the bank reconciliations monthly and indicate his review by initialing monthly reconciliation.

Management’s Response: Management concurs and will implement improved controls immediately.

2011-4 Fixed Assets

Criteria: Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions.

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Condition: The Association does not maintain an inventory listing of fixed assets. Further, there is no capitalization policy that dictates which expenditures are to be capitalized.

Effect: Unauthorized transactions may not be prevented or detected timely.

Cause: The Limited number of staff.

Recommendation: We recommend that the Association develop a fixed asset inventory listing. We further recommend that the inventory listing be reviewed annually, primarily to verify the existence of the assets on the list. In addition, we recommend that a capitalization policy be established that provides a capitalization threshold. We recommend a capitalization minimum threshold of \$500 (i.e. every asset with a purchase price below \$500 would be expensed and not capitalized). Having the threshold helps streamline and simplify the accounting.

Management's Response: Management concurs and will implement improved controls immediately.

2011-5 Revenue and Receipts

Criteria: Internal controls should be designed to safeguard assets and prevent and detect unauthorized transactions on a timely basis.

Condition: The Association has not maintained attendance records and receipt logs of convention and workshop fees. Further, the duties of receiving and depositing payments were not segregated. As a result, over the course of 8 years, approximately \$200,000 of convention and workshop fees was diverted from being deposited in LSBA's bank account. Approximately \$30,000 was attributable to the year ended June 30, 2011.

Effect: Receipts from conventions and workshops were not recorded as revenue nor deposited in LSBA's bank account.

Cause: A employee was given inappropriate authority and access.

Recommendation: We recommend that the Association establish procedures whereby membership and attendance records for conventions and workshops be maintained and reconciled to

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accounting records. We further recommend that access to receipts be restricted to individuals who do not have accounting and reconciliation responsibilities. Duties should be segregated, meaning that the person recording the receipt should not be the same as that making the deposit. Additionally, a person independent of recorder and depositor responsibilities should reconcile the deposit to the general ledger.

If staff is limited, LSBA should consider using a lockbox provided by the fiscal agent. We further recommend that payments at functions be prohibited. If a lockbox is not utilized then LSBA should provide for a separate P.O. Box designated for payments. Access to this P.O. Box should be restricted to individuals who do not perform accounting and reconciliation tasks.

Management's Response: Management concurs and will implement improved controls immediately.

2011-6 Late Filing

Criteria: In accordance with Louisiana R.S. 24:513, audits are required to be completed within six months of the close of the fiscal year.

Condition: This audit of LSBA was not completed within six months of the close of the fiscal year. The six month deadline was December 31, 2011.

Effect: The Association is in violation of Louisiana R.S. 24:513.

Cause: For health reasons, the Acting Executive Director was not available to assist with the completion of the audit.

Recommendation: We recommend that LSBA plan and begin audits with sufficient time to complete by the deadline imposed by Louisiana R.S. 24:513.

Management's Response: Management concurs and will comply with Louisiana R.S. 24:513 in future audits.