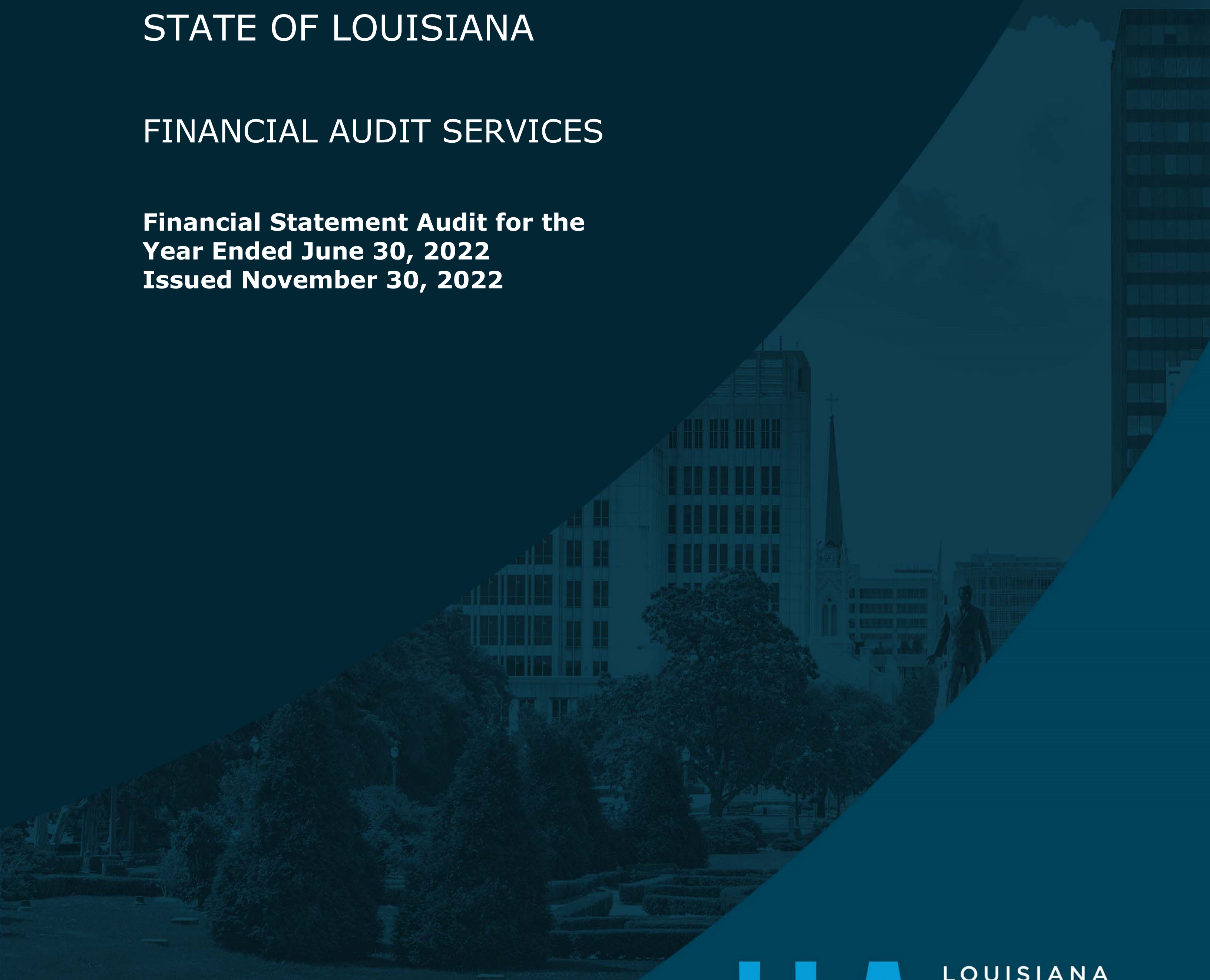
STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Financial Statement Audit for the
Year Ended June 30, 2022
Issued November 30, 2022



LOUISIANA LEGISLATIVE AUDITOR

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MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

November 22, 2022

Independent Auditor's Report

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the State Board of Certified Public Accountants of Louisiana (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1.G to the financial statements, the Board implemented Government Accounting Standards Board Statement No. 87, *Leases*, for the year ended June 30, 2022. As a result, the Board now recognizes certain lease assets, liabilities, and lease amortization for leases that previously were classified as operating leases and rent expense. The implementation was applied retroactively and prior period balances presented in Notes 4 and 6 were restated for leased assets and lease liabilities for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit

procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12, the Schedule of the Board's Proportionate Share of the Net Pension Liability on page 36, the Schedule of Board Contributions on page 36, and the Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability on page 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectivity comprise the Board's basic financial statements. The Schedule of Per Diem Paid to Board Members on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

AB:CR:RR:EFS:aa

CPA 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (the "Board") financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2022. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which follow this section.

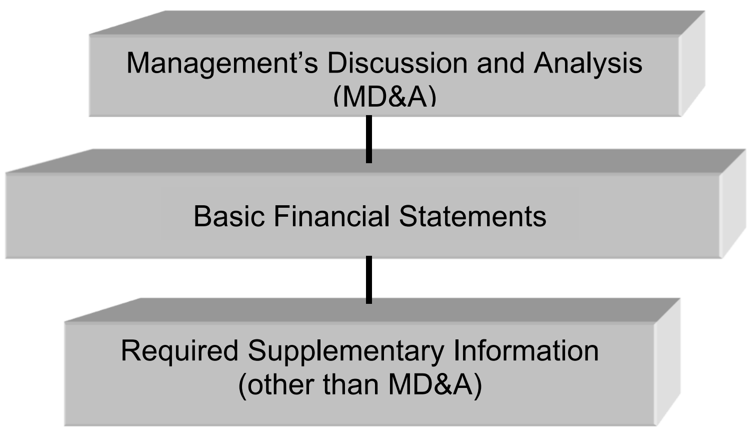
FINANCIAL HIGHLIGHTS

- The net position of the Board increased by $241,293 from June 30, 2021, to June 30, 2022.
- The Board's operating revenue is generated by fees for license and firm permit applications, annual license and permit renewals, and by fines, settlements, and cost recoveries from enforcement related activities.
    - Total operating revenue for the year increased by $105,513, or 10.4%, from 2021 to 2022.
        - Revenue related to annual licensing renewals was up overall $81,880, or 9.9%, from the prior-year renewal revenue. The majority of that revenue increase was due to the expiration of the Legislature's House Concurrent Resolution No. 71 on June 1, 2020, which suspended license renewal fees imposed on businesses based in Louisiana the prior fiscal year.
        - Delinquent and reinstatement fee revenue increased by $41,385 or 69.8%, compared to the prior year. This revenue type fluctuates depending on licensees' compliance with annual renewal deadlines. Additionally, there were more reinstatements due to 2020 CPE compliance issues, even with the automatic six-month extension (thru 6/30/21) granted to all Active CPAs to complete CPE for that reporting year.
        - Revenue related to enforcement activity is subject to wide fluctuation from year to year. Fines and settlements, which include recoveries of enforcement costs, represent $80,289 or 7.1% of total operating revenues for the fiscal year 2022. Compared to last fiscal year, revenue from enforcement activity was down $18,517 or 18.7%.

- The Board’s operating expenses are generally ordinary and predictable expenses that do not vary significantly year to year for personnel, office and machinery rental, utilities, postage, audit, legal, and other professional fees, and supplies.
  - Total operating expense for the year decreased by $104,021, or 10.5%, from 2021 to 2022.
    - The largest changes year over year were in five primary areas: expenses for compensated absences decreased by $20,150 and state retirement expense decreased by $197,828, offsetting an increase in travel expense by $16,721, an increase in group health insurance OPEB expense of $79,036, and an equipment maintenance expense increase of $19,300.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



These financial statements consist of three parts - Management’s Discussion and Analysis (this section), the basic financial statements, and Required Supplementary Information, as may be applicable. The Board also includes a supplemental schedule of Board member compensation.

Basic Financial Statements

The basic financial statements present information for the Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (Statement A, page 13) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (Statement B, page 14) presents information showing how the Board’s assets changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (Statement C, page 15) presents information showing how the Board’s cash changed as a result of current-year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement 34.

Required Supplementary Information and Supplementary Information

The Required Supplementary Information presents additional information for the Board as required by GASB.

The supplemental information includes the Schedule of Per Diem Paid to Board Members (Schedule 4, page 40) which presents the compensation received by the Board Members in accordance with the Louisiana Accountancy Act as amended in Act No. 553 of the 2016 Regular Session of the Louisiana Legislature.

FINANCIAL ANALYSIS OF THE ENTITY

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

Statement of Net Position
as of June 30

	Total 2022	Total 2021 (Restated)
Current and other assets	$2,070,139	$1,952,241
Capital assets, net	8,911	-
Right-to-use lease assets, net	287,851	356,935
Total assets	2,366,901	2,309,176
Total deferred outflow of resources	542,256	595,258
Current liabilities	211,730	177,286
Noncurrent liabilities	2,103,962	2,706,273
Total Liabilities	2,315,692	2,883,559
Total deferred inflow of resources	484,669	153,372
Net position:		
Investment in capital assets	8,911	-
Unrestricted	99,885	(132,497)
Total net position	$108,796	($132,497)

The net position of the Board increased by $241,293 from June 30, 2021 to June 30, 2022.

Statement of Revenues, Expenses, and Changes in Net Position
for the years ended June 30

	Total 2022	Total 2021
Operating revenues	$1,123,389	$1,017,876
Operating expenses	886,877	990,898
Operating income	236,512	26,978
Non-operating revenues	4,781	4,921
Income	241,293	31,899
Net increase in net position	$241,293	$31,899

The Board's total operating revenues increased by $105,513. Overall, renewal revenue increased by $81,880 and revenue from delinquent and reinstatement fees increased by $41,385. Gradual fee increases for delinquent renewal reinstatements were adopted a few years ago, and that revenue type fluctuates depending on licensees' compliance with annual renewal deadlines.

Enforcement activities were down from the previous year by $18,517. Enforcement activities fluctuate year to year, however, and are not relied upon as a stable source of income for operating expenses.

The total cost of all programs and services decreased by $104,021. While individual categories of operating expenses fluctuate year to year depending on whether the agency is more fully staffed, health insurance options selected by staff, as well as legal fees incurred due to varying enforcement activity, there were a few notable decreases and increases in the current fiscal year.

The largest decreases in operating expense were in two primary areas: expenses for accrued annual leave (commonly called compensated absences) decreased by $20,150 as there were no employee retirements in the current fiscal year compared to the prior year, and state retirement expense decreased by $197,828 from the prior fiscal year. The agency expenses its proportional share of retirement and post-employment healthcare costs based on actuarially determined numbers provided to it annually, and the costs, while generally increasing year to year, could increase or decrease annually.

The largest increases offsetting those decreases in operating expenses were in the three primary areas: travel expenses increased by $16,721 after two years of COVID-related restrictions which significantly prevented travel, group health insurance OPEB (other post-employment benefits) increased by $79,036, and equipment maintenance expense increased by $19,300 from the prior year.

CAPITAL ASSET, INTANGIBLE ASSETS, AND DEBT ADMINISTRATION

Capital Assets

The Board's investment in capital assets consists of office and computer equipment that is or has been depreciated over periods of five to six years. At the end of fiscal year ended June 30, 2022, most of the Board's capital assets have been fully depreciated. A server backup system was purchased for $10,282 in December of 2021; therefore, not all of the Board's capital assets have fully depreciated.

Intangible Assets

The Board adopted GASB Statement 87, *Leases*, in the current year as required by GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred mandatory adoption until fiscal years beginning after June 15, 2021.

The Board executed a 10-year right-to-use lease for office space in August 2016. GASB Statement 87, *Leases* required the Board to recognize the office lease as an intangible asset and a corresponding lease liability at the beginning of this fiscal year. The present value of the stream of rent payments due for the remainder of the lease was calculated at $356,935 by a vendor hired by the state after the lease was determined to meet the materiality threshold. Subsequent monthly rent payments will reduce the lease liability while also reflecting an interest and amortization expense.

Debt

The Board has not financed purchases or activities through external borrowing or incurring debt, and thus does not have any outstanding bonds or notes for this or the previous fiscal year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees, retirement (pension) liabilities, and other postemployment benefits as described in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

License and firm permit fees, the Board's primary sources of revenue, are reviewed annually and set at appropriate levels based on the Board's financial position and anticipated needs. Those charged with governance of the Board considered the following factors and indicators when setting next year's budget:

- The total number of licensees and registrants is expected to be relatively constant.

- License application and annual renewal fees are evaluated yearly by the Board in order to balance its responsibilities as a regulator with its interest in keeping fees at reasonable levels in relation to operating costs. Fees are assessed, in part, based on anticipated use of resources.

- Enforcement of statutes and rules is a significant function of the Board, and having the necessary resources available to investigate cases as they arise as well as having the technology and personnel to monitor those cases effectively is crucial.

- The costs of other postemployment benefits (OPEB) are reported in annual actuarial reports, covering all state agencies, which are prepared and issued by an actuary retained by the state of Louisiana to estimate these costs under the applicable actuarial methods. The expense and accrued liability relate to the obligation to pay the employer share of post-retirement premiums of employees enrolled in the state health plan (OGB) at the time of retirement from state service. The Board monitors the OPEB costs when budgeting for fee considerations.

- The costs of pension benefits are also reported in annual actuarial reports, covering all state agencies, which are prepared and issued by an actuary retained by the state of Louisiana to estimate these costs under the applicable actuarial methods. The expense and accrued liability related to the obligation, in excess of the actual cash payments expensed monthly, of the employer's share of vested retirement benefits of employees retiring from state service is recorded annually. The Board monitors the pension costs and its obligations when budgeting for fee considerations.

Prior to the COVID-19 pandemic, the Board projected that next year's revenues would be slightly lower than the past fiscal year's actual revenue, and expenses are projected to be higher than the past year based on the following:

- Revenues from individual license renewals and firm permit renewals are expected to remain approximately the same as this past year, as well as revenue from delinquent and reinstatement fees.

- Revenues from new certificates and firm permits are expected to remain flat or decrease slightly.

- Enforcement activities vary from year to year, therefore both revenues and costs from those activities fluctuate. Conservative estimates expect that enforcement revenue will be less than the most recent fiscal year, and budgeted costs are projected at the contracted amounts for legal services. The Board will monitor this activity for changes throughout the year.

- Retirement and insurance costs continue to represent a significant portion of personnel related expenses, as the employer contribution rates for both the Louisiana State Employees' Retirement System and health insurance premiums consistently increase annually.

- Technology and cybersecurity needs continue to be a focus. The Board takes measures to contain costs and secure best rates, yet continued upgrades are always needed to meet ever-changing demands.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, licensees, registrants, examination candidates, individuals and organizations served by CPAs, and other users with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board's executive director at 601 Poydras Street, Suite 1770, New Orleans, Louisiana, 70130.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Statement of Net Position, June 30, 2022

ASSETS	
Current assets:	
Cash (note 2)	$1,987,462
Receivables	60,827
Prepayments	21,850
Total current assets	2,070,139
Noncurrent assets:	
Capital Asets, net (note 6)	$8,911
Right-to-Use Lease Assets, net (note 6)	287,851
Total noncurrent assets	296,762
Total assets	2,366,901
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits (note 5)	347,404
Deferred outflows related to pensions (note 3)	194,852
Total deferred outflows of resources	542,256
LIABILITIES	
Current liabilities:	
Accounts payable	74,392
Unearned revenue	2,225
Lease liability (note 4)	68,276
Interest payable	241
Compensated absences payable (note 4)	7,378
Other postemployment benefits (OPEB) payable (note 5)	59,218
Total current liabilities	211,730
Noncurrent liabilities:	
Compensated absences payable (note 4)	33,127
Lease liability (note 4)	220,765
Other postemployment benefits (OPEB) payable (note 5)	973,837
Net pension liability (note 3)	876,233
Total noncurrent liabilities	2,103,962
Total liabilities	2,315,692
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits (note 5)	85,874
Deferred inflows related to pensions (note 3)	398,795
Total deferred inflows of resources	484,669
NET POSITION	
Investment in capital assets	8,911
Unrestricted	99,885
Total net position	$108,796

The accompanying notes are an integral part of this statement.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

OPERATING REVENUES	
Licenses, permits, and fees	$1,036,765
Fines and settlements	80,289
Other income	6,335
Total operating revenues	1,123,389
OPERATING EXPENSES	
Personal services	533,013
Professional and contractual	70,285
Operating services, supplies, and acquisitions	213,124
Depreciation and amortization (note 6)	70,455
Total operating expenses	886,877
OPERATING INCOME	236,512
NONOPERATING REVENUES	
Interest earnings	4,781
Total nonoperating revenues	4,781
Change in net position	241,293
TOTAL NET POSITION AT BEGINNING OF YEAR	(132,497)
TOTAL NET POSITION AT END OF YEAR	$108,796

The accompanying notes are an integral part of this statement.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from licensees and registrants	$1,061,067
Cash received from customers	6,335
Cash payments to suppliers for goods and services	(253,983)
Cash payments to employees for services	(674,043)
Net cash provided by operating activities	139,376
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Right-to-use leased assets	(67,653)
Acquisition of capital assets	(10,282)
Net cash used by capital and related financing activities	(77,935)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	4,781
NET INCREASE IN CASH	66,222
CASH AT BEGINNING OF YEAR	1,921,240
CASH AT END OF YEAR	$1,987,462
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$236,512
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,371
Right-to-use lease amortization	69,084
Changes in assets and liabilities:	
(Increase) Decrease in receivables	(53,762)
(Increase) Decrease in prepayments	2,086
(Increase) Decrease in deferred outflows related to OPEB	(219,270)
(Increase) Decrease in deferred outflows related to pensions	272,272
Increase (Decrease) in accounts payable and accruals	34,975
Increase (Decrease) in compensated absences payable	2,853
Increase (Decrease) in OPEB payable	290,481
Increase (Decrease) in unearned revenues	(2,225)
Increase (Decrease) in net pension liability	(826,298)
Increase (Decrease) in deferred inflows related to OPEB	(45,826)
Increase (Decrease) in deferred inflows related to pensions	377,123
Total adjustments	(97,136)
Net cash provided by operating activities	$139,376
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Addition of right-to-use leased asset	$287,851

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The State Board of Certified Public Accountants of Louisiana (Board), a component unit of the state of Louisiana, was created by the Louisiana Legislature in 1908 and is established under the provisions of Louisiana Revised Statute (R.S.) 37:74. The Board is a licensing agency of the state of Louisiana. Effective July 1, 2001, the Board was among those transferred from the Department of Economic Development to the Office of the Governor by the legislature. The Board's enabling legislation, the Louisiana Accountancy Act, is comprised by R.S. 37:71 *et seq*. The Board is composed of seven members who are appointed by the governor - five from designated geographic areas and two at-large. The Board acts in Louisiana's public interest to promote the reliability of public accounting and financial reporting. The Board is charged with the responsibility of regulating the practice of certified public accountants (CPAs) and firms in the state by enforcing the Accountancy Act, promulgating and enforcing rules of conduct, administering examinations of CPA candidates, and issuing and renewing licenses to practice as a CPA or CPA firm. Operations of the Board are funded through self-generated revenues primarily derived from fees for the issuance, application, and annual renewal of CPA certificates and licenses. The Board has eight full-time and three part-time authorized employee positions. As of June 30, 2022, there were 7,287 active (licensed), 2,608 inactive (unlicensed) and 322 retired (unlicensed) CPAs, and 1,863 CPA firms with permits in Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the state of Louisiana. The Board is considered a component unit (enterprise fund) of the state of Louisiana because the state has financial accountability over the Board in that the governor appoints the board members. The accompanying financial statements present information only as to the transactions and activities of the Board.

Annually, the state of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the state of Louisiana.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Board is considered a special-purpose government engaged only in business-type activities. All activities of the Board are accounted for within a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Under the full accrual basis, revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGET PRACTICES

The Board prepares its budget in accordance with the Louisiana Licensing Agency Budget Act, R.S. 39:1331-1342. The budget is prepared on a modified accrual basis of accounting. Although budget amounts lapse at year-end, the Board retains its unexpended net position to fund expenses of the succeeding year.

E. CASH

Cash consists of the amounts in interest-bearing demand deposit accounts, cash on hand, and petty cash. Under state law, the Board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

F. CAPITAL ASSETS

Capital assets consist of office and computer equipment and are capitalized at historical cost. The Board follows the Louisiana Property Assistance Agency and Office of Statewide Reporting and Accounting Policy guidance for capitalizing and reporting equipment. Only equipment valued at or more than $5,000 and computer software valued at or more than $1,000,000 are capitalized and depreciated for financial statement purposes. Depreciation for financial reporting is computed by the straight-line method over an asset's useful life, which is five years for computer equipment and six years for office equipment. Equipment, furniture, and software acquisitions with costs less than the above thresholds are charged as an administrative expense.

G. ADOPTION OF NEW ACCOUNTING PRINCIPLES

During the fiscal year ended June 30, 2022, the Board implemented GASB Statement No. 87, *Leases*, requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. In notes 4 and 6, prior period balances of lease liabilities and lease assets, respectively, were restated. There was no effect on beginning net position. Further information on GASB 87 is presented in note 6.

H. NONCURRENT LIABILITIES

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRSL), and additions to/deductions from each retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments are reported at fair value.

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position is based on actuarially determined obligations under GASB 75.

I. EMPLOYEE COMPENSATED ABSENCES

Employees of the Board earn and accumulate annual and sick leave at varying 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.

Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave (K-time) earned. 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 employee's hourly rate of pay at termination or transfer.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense and a liability in the financial statements in the period in which the leave is earned.

J. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, and expenses. The Board's net position is classified in the following components:

- Investment in capital assets consists of all capital assets, net of accumulated depreciation.
- Unrestricted net position consists of all assets not included in the other category previously mentioned. Unrestricted net position represents resources derived from the Board's licenses, permits, and fees and is used for transactions related to the Board's general operations. Unrestricted net position may be used at the discretion of the Board to meet current expenses and any other purpose.

K. USE OF ESTIMATES

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

2. CASH

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be recovered. Under state law, the Board's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair 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 securities are held in the name of the Board or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of

June 30, 2022, the Board's total deposits (collected bank balances) was $1,987,866, which was secured from risk by federal deposit insurance plus pledged securities held in the Board's name.

3. PENSION PLAN

The Board is a participating employer in one state public employee retirement systems, LASERS. Prior to October 2020, the Board was also a participating employer in TRSL. During fiscal year 2021, the Board's only employee who participated in TRSL retired. As a result, the Board was, but is no longer, a participating employer in TRSL. Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the state legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of these reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

TRSL also administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan. A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

General Information about the Pension Plans

Plan Descriptions/Benefits Provided

All full-time Board employees are eligible to participate in LASERS unless an election is made to continue as a member of another retirement system, such as TRSL, for which they remain eligible for membership.

LASERS – LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-417. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. Act 992 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members.

The substantial majority of members may retire with full benefits at any age upon completing 30 years of service, at age 55 upon completing 25 years of service, or at age 60 upon completing 5-10 years of service. Regular members hired after July 1, 2015 are eligible to retire at age 62 after 5 years of creditable service. Additionally, all members may choose to retire with 20 years of service at any age, with an actuarially-reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement age but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age.

Provisions for survivor benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of 10 years of service credit with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased member's spouse must have been married for at least one year before death.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial lump-sum benefit option in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

TRSL – TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S 11:701. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in R.S. 11:761 and R.S. 11:768. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011.

Most members eligible for membership prior to July 1, 2015, may receive retirement benefits (1) at the age of 60 with five years of service, (2) at the age of 55 with at least 25 years of service, or (3) at any age with at least 30 years of service. Members hired on or after July 1, 2015, are eligible to retire at age 62 with five years of service. All regular plan members are eligible to retire at any age with 20 years of service but the benefit is actuarially-reduced if the member is hired on or after July 1, 1999. Retirement benefits are calculated by applying a percentage ranging from 2% to 3% of final average salary multiplied by years of service. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to January 1, 2011, or highest 60 consecutive months of employment for members employed after that date.

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011, and attained at least five years of service or if employed on or after January 1, 2011, and attained at least 10 years of service. Members employed prior to January 1, 2011, receive disability benefits equal to 2.5% of average compensation multiplied by the years of service but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011, receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in R.S. 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service, at least two of which were earned immediately prior to death, or must have had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Survivor benefits are equal to 50% of the benefit to which the member would have been entitled if retired on the date of death using a factor of 2.5% regardless of years of service or age, or $600 per month, whichever is greater. Benefits are payable to an unmarried child until age 21 or age 23 if the child remains a full-time student. Benefits are paid for life to a qualified handicapped child. Benefits are paid for life to a surviving spouse unless the deceased active member has less than 20 years of creditable service and the surviving spouse remarries before the age of 55.

TRSL has established a DROP plan. When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, new members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial lump-sum benefit option in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits.

Cost of Living Adjustments.

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of cost-of-living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions.

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily-established methods on an annual basis and are constitutionally–required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions is used to fund the TRSL defined benefit plan's unfunded accrued liability.

Employer contributions to LASERS for fiscal year 2022 were $156,929, with active member contributions of 8% and employer contributions of 39.5% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2022 was $0, as the Board is no longer a participating employer. The Board's contractually-required contribution rates for the fiscal year are actuarially determined as amounts that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Board reported liabilities of $876,233 and $0 under LASERS and TRSL, respectively, for its proportionate share of the collective Net Pension Liability (NPL). The NPL for LASERS and TRSL was measured as of June 30, 2021, and the total pension liabilities used to calculate the NPL were determined by actuarial valuations as of that date. The Board's proportions of the NPL were based on projections of the Board's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2021, the most recent measurement date, the Board's proportions and the changes in proportion from the prior measurement date were 0.01592%, or a decrease of 0.00345%, for LASERS and 0.0%, or a decrease of 0.00091% for TRSL. During fiscal year 2021, the Board's only employee who participated in TRSL retired so the Board's proportionate share for the TRSL liability is now zero for the fiscal year 2022 reporting period.

For the year ended June 30, 2022, the Board recognized a total pension benefit of $19,974, or $2,739 and $17,235 for LASERS and TRSL, respectively. The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows			**Deferred Inflows**		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience	$865		$865			
Changes of assumptions	21,463		21,463			
Net difference between projected and actual earnings on pension plan investments				($204,341)		($204,341)
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,614	$3,981	15,595	(122,656)	($71,798)	(194,454)
Employer contributions subsequent to the measurement date	156,929		156,929			
Total	$190,871	$3,981	$194,852	($326,997)	($71,798)	($398,795)

Deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS and TRSL NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30,	LASERS	TRSL	Total
2023	($124,176)	($17,201)	($141,377)
2024	($31,488)	($16,360)	($47,848)
2025	($46,424)	($17,129)	($63,553)
2026	($90,967)	($17,127)	($108,094)

Actuarial Assumptions

The total pension liabilities for LASERS and TRSL in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	**TRSL**
Valuation Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Approach	Closed	Closed
Expected Remaining Service Lives	2 years	5 years
Investment Rate of Return	7.4% per annum, net of investment exp.	7.4%, net of investment exp.
Inflation Rate	2.30% per annum	2.30% per annum
Mortality - Non-disabled	RP-2014 Blue Collar Annuitant Table, improvement projected using MP-2018 Mortality Improvement Scale	RP-2014 White Collar Healthy Annuitant tables, adjusted for gender
Mortality - Disabled	RP-2000 Disabled Retiree Mortality Table, no projection for improvement	RP-2014 Disability tables, adjusted for gender
Mortality - Active Members	'RP-2014 Blue Collar Employee Table	RP-2014 White Collar Employee tables, adjusted for gender
Termination, Disability, Retirement	2014-2018 experience study	2013-2017 experience study
Salary Increases	2014-2018 experience study, ranging from 2.6% to 13.8%	2013-2017 experience study, ranging from 3.1% to 4.6%,varies depending on duration of service
Cost of Living Adjustments	Not substantively automatic	Not substantively automatic

The projected benefit payments do not include provisions for potential future increases not yet authorized by the LASERS and TRSL Boards of Trustees as these ad hoc COLAs were deemed not to be substantively automatic. However, the LASERS and TRSL assumptions include an adjustment to recognize that investment earnings will be allocated to the experience account to fund potential future increases.

The June 30, 2021, valuations include the following changes in assumptions:

- The discount rate was reduced from 7.55% to 7.40% for the LASERS June 30, 2021, valuation and from 7.45% to 7.40% for the TRSL June 30, 2021, valuation. In fiscal year 2022, the LASERS and TRSL Boards adopted additional reductions to the discount rate and a 7.25% rate was used to determine the projected actuarially required contribution rates for the 2022/2023 fiscal year.

For LASERS and TRSL, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.30% for LASERS and TRSL, and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.61% and 7.87% for LASERS and TRSL, respectively. Best estimates of geometric/arithmetic real rates of return for each major asset class included in each pension plan's target asset allocation as of June 30, 2021 are summarized for each plan in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
LASERS (geometric)		
Cash	1.00%	-0.29%
Domestic equity	31.00%	4.09%
International equity	23.00%	5.12%
Domestic fixed income	3.00%	0.49%
International fixed income	18.00%	3.94%
Alternative investments	24.00%	6.93%
Total	100.00%	5.81%
TRSL (arithmetic)		
Domestic equity	27.00%	4.21%
International equity	19.00%	5.23%
Domestic fixed income	13.00%	0.44%
International fixed income	5.50%	0.56%
Private equity	25.50%	8.48%
Other private assets	10.00%	4.27%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.40% for both LASERS and TRSL. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually-required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate. The following presents the Board's proportionate share of the NPL for LASERS and TRSL using the current discount rate as well as what the Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate 7.40%:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.40%	7.40%	8.40%
LASERS	$1,187,229	$876,233	$611,614

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.40%	7.40%	8.40%
TRSL	$0	$0	$0

Pension plan fiduciary net position. Detailed information about LASERS and TRSL fiduciary net position is available in the separately-issued financial reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plan. At June 30, 2022, the Board had $23,111 and $0 in payables to LASERS and TRSL, respectively, for the June 2022 employee and employer legally-required contributions.

4. CHANGES IN LONG-TERM LIABILITIES (CURRENT AND NONCURRENT PORTION)

The following is a summary of long-term liability transactions of the Board for the year ended June 30, 2022:

	Balance June 30, 2021 (restated)	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Compensated absences payable	$37,652	$19,010	($16,157)	$40,505	$7,378
Lease liability**	356,935		(67,894)	289,041	68,276
Total long-term liabilities*	$394,587	$19,010	($84,051)	$329,546	$75,654

*Information about changes in the net pension liability and the OPEB liability are contained in notes 3 and 5, respectively.

**Due to implementation of GASB 87, *Leases* , the balance at June 30, 2021 is restated.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other postemployment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully-insured plan. Effective January 1, 2019, retired employees who have Medicare Part A and Part B coverage also have access to six fully insured Medicare Advantage plans and an Individual Medicare Market Exchange plan that provides monthly health reimbursement arrangement credits.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2022, the Board reported a liability of $1,033,055 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2021, and was determined by an actuarial valuation as of that date.

The Board's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the state of Louisiana reporting entity. As of July 1, 2021, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date was 0.0113%, or an increase of 0.0023%.

The total collective OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay. Service costs are attributed through all assumed ages of exit from active service. For current DROP participants, assumed exit from active service is the date at which DROP ends.

- Estimated Remaining Service Lives – 4.5 years

- Inflation rate – Consumer Price Index (CPI) 2.40%

- Salary increase rate – consistent with the pension valuation assumptions disclosed in Note 3

- Discount rate – 2.18% based on June 30, 2021 Standard & Poor's 20-year municipal bond index rate

- Mortality rates – updated and consistent with pension valuation assumptions disclosed in Note 3

- Healthcare cost trend rates – 7.00% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2023-2024, to an ultimate rate of 4.5% in 2033; 5.50% for post-Medicare eligible employees grading down by .10% each year, beginning in 2023-2024, to an ultimate rate of 4.5% in 2033 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and Technology growth.

- Healthcare claim cost - Per capita costs for the self-insured plans were based on prescription claims for retired participants for the period January 1, 2020, through December 31, 2021, and medical claims for retired participants for the period January 1, 2019, through December 31, 2019 and from January 1, 2021, through December 31, 2021. The claims experience was trended to the valuation date. Per capita costs for fully-insured plans were based on calendar year 2022 premiums adjusted to the valuation date using the trend assumptions above. Per capita costs were adjusted for expected age-related differences in morbidity, where applicable.

- Participation rates – Active employees who do not have current medical coverage are assumed not to participate in the medical plan as retirees. The percentage of employees and their dependents who are currently covered for medical coverage that are assumed to participate in the retiree medical plan is outlined in the table below. Active participants who have been covered continuously under the plan since before January 1, 2002 are assumed to participate at a rate of 88%. This rate assumes that a one-time irrevocable election to participate is made at the time of retirement.

Years of Service	Participation Percentage
Under 10 years	33%
10 - 14 years	60%
15 - 19 years	80%
20+ years	88%

Future retirees are assumed to participate in the life insurance benefit at a 36% rate and elect a total of $45,000 in basic and supplemental life insurance coverage, before any age reductions. Spouses are assumed to elect $2,000 of coverage.

The actuarial assumptions related to mortality, retirement, termination, disability, and salary increases are based on experience studies used in the pension valuations disclosed in Note 3. The actuarial assumption for plan election coverage is based on a review of experience for the period July 1, 2018, through June 30, 2021. Other actuarial assumptions are based on an experience study of OPEB plan experience for the period July 1, 2017, through June 30, 2020.

Changes of assumptions and other inputs from the prior valuation include the following:

- The discount rate decreased from 2.66% as of July 1, 2020, to 2.18% as of July 1, 2021.

- Baseline per capita costs were updated to reflect 2021 claims and enrollment. Plan claims and premiums increased less than had been expected, which decreased the Plan's liability.

- Medical plan election percentages have been updated since the previous valuation. This change contributed towards the decrease in the Plan's liability associated with updating per capita costs and premiums.

- The healthcare cost trend assumption has been revised since the previous valuation. This change increased the Plan's liability.

<u>Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate</u>

The following presents the Board's proportionate share of the total collective OPEB liability using the current discount rate as well as what the Board's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	1.18%	2.18%	3.18%
Proportionate Share of Total Collective OPEB Liability	$1,207,071	$1,033,055	$895,859

<u>Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates</u>

The following presents the Board's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the Board's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
Post-65 Rates	(4.5% decreasing to 3.5%)	(5.5% decreasing to 4.5%)	(6.5% decreasing to 5.5%)
Pre-65 Rates	(6.0% decreasing to 3.5%)	(7.0% decreasing to 4.5%)	(8.0% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$900,010	$1,033,055	$1,201,530

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Board recognized OPEB expense of $84,603. At June 30, 2022, Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$20,749	($600)
Changes of assumptions or other inputs	75,899	(46,182)
Changes in proportion and differences between benefit payments and proportionate share of benefit payments	191,538	(39,092)
Amounts paid by the employer for OPEB subsequent to the measurement date	59,218	
Total	$347,404	($85,874)

Deferred outflows of resources related to OPEB resulting from the Board's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Net Amount Recognized in OPEB Expense
2023	$41,596
2024	56,641
2025	70,300
2026	33,775
	$202,312

6. CAPITAL AND RIGHT-TO-USE LEASED ASSETS

During the fiscal year ended June 30, 2022, the Board implemented GASB Statement No. 87, *Leases*, requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use lease assets. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A summary of changes in capital and right-to-use leased assets follows:

	Balance June 30, 2021 (restated)	Additions	Deletions	Balance June 30, 2022
Capital Assets:				
Machinery & Equipment	$51,605	$10,282	-	$61,887
Accumulated depreciation	(51,605)	(1,371)	-	(52,976)
Total Machinery & Equipment	-	8,911	-	8,911
Right-To-Use Lease Assets:				
Leased Office Space	356,935	-	-	356,935
Accumulated amortization	-	(69,084)	-	(69,084)
Total Leased Office Space	356,935	(69,084)	-	287,851
Total Capital and Right-To-Use Leased Assets, net	**$356,935**	**($60,173)**	**$0**	**$296,762**

Amortization of the right-to-use leased assets is computed by the straight-line method over the estimated contract period including renewals. Amortization of the right-to-use leased assets was $69,084 for the year ended June 30, 2022 and reported within depreciation/amortization under operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

The Board entered into an agreement to lease office space. The term of the lease is from September 1, 2016 through August 31, 2026. The lease provides for a monthly payment of $5,905. The implicit interest rate on the GASB 87, *Leases* transition date was 1%. The following schedule summarizes the future principal and interest requirements for the leased office space at June 30, 2022:

Future Minimum Lease Payments

Fiscal Year Ending	Principal	Interest	Total
2023	$68,276	$2,578	$70,854
2024	68,962	1,892	70,854
2025	69,655	1,199	70,854
2026	70,354	500	70,854
2027	11,794	15	11,809
Total:	**$289,041**	**$6,184**	**$295,225**

7. RISK MANAGEMENT

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

There is no pending litigation or claims against the Board at June 30, 2022, which if asserted, in the opinion of the Board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

8. DEFERRED COMPENSATION PLAN

Employees of the Board may participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Disclosures relating to this plan are available in the Plan's separate audit report, which is available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability

Schedule 1 presents the Board's Net Pension Liability.

Schedule of Board Contributions

Schedule 2 presents the amount of contributions the Board made to the pension system.

Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability

Schedule 3 presents certain specific data regarding the Board's share of the total collective OPEB liability.

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
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Schedule of the Board's Proportionate Share of the Net Pension Liability — **Schedule 1**

Fiscal Year*	Board's proportion of the net pension liability (asset)	Board's proportionate share of the net pension liability (asset)	Board's covered payroll	Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2015	0.017977%	$1,124,082	$326,527	344%	65.0%
2016	0.017310%	$1,177,341	$340,446	346%	62.7%
2017	0.016830%	$1,321,584	$355,555	372%	57.7%
2018	0.021320%	$1,500,677	$368,563	407%	62.5%
2019	0.018920%	$1,290,194	$363,636	355%	64.3%
2020	0.017930%	$1,299,013	$376,020	346%	62.9%
2021	0.019370%	$1,601,863	$393,048	408%	58.0%
2022	0.015920%	$876,233	$396,830	221%	72.8%
Teachers' Retirement System of Louisiana					
2015	0.000865%	$88,415	$36,050	245%	63.7%
2016	0.000880%	$94,620	$37,492	252%	62.5%
2017	0.000910%	$106,807	$38,995	274%	59.9%
2018	0.000910%	$93,292	$39,374	237%	65.6%
2019	0.000870%	$85,503	$39,654	216%	68.2%
2020	0.000910%	$90,017	$41,705	216%	68.6%
2021	0.000910%	$100,668	$43,297	233%	65.6%
2022	0.000000%	$0	$11,197	0%	83.9%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Board Contributions — **Schedule 2**

Fiscal Year*	(a) Statutorily-Required Contribution	(b) Contributions in relation to the statutorily-required contribution	(a-b) Contribution Deficiency (Excess)	Board's covered payroll	Contributions as a percentage of covered payroll
Louisiana State Employees' Retirement System					
2015	$125,965	$125,965	NONE	$340,445	37.0%
2016	$132,266	$132,266	NONE	$355,555	37.2%
2017	$131,946	$131,946	NONE	$368,563	35.8%
2018	$137,818	$137,818	NONE	$363,636	37.9%
2019	$142,702	$142,702	NONE	$376,020	37.9%
2020	$159,906	$159,906	NONE	$393,048	40.7%
2021	$159,059	$159,059	NONE	$396,830	40.1%
2022	$156,929	$156,929	NONE	$396,946	39.5%
Teachers' Retirement System of Louisiana					
2015	$10,498	$10,498	NONE	$37,492	28.0%
2016	$10,256	$10,256	NONE	$38,995	26.3%
2017	$10,040	$10,040	NONE	$39,374	25.5%
2018	$10,548	$10,548	NONE	$39,654	26.6%
2019	$11,130	$11,130	NONE	$41,705	26.7%
2020	$11,255	$11,255	NONE	$43,297	26.0%
2021	$2,889	$2,889	NONE	$11,197	25.8%
2022	$0	$0	NONE	$0	0.0%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information (Schedules 1 and 2)

Changes of Benefit Terms include:

LASERS

A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session.

A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and added benefits for members of the Harbor Police Retirement system, which was merged with LASERS effective July 1, 2015, by Act 648 of 2014.

TRSL

A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session.

A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and Regular Plan members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015, may retire with a 2.5% benefit factor after attaining age 62, with at least five years of service credit and are eligible for an actuarially-reduced benefit with 20 years of service at any age.

Changes of Assumptions include:

LASERS

The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuation. The Board also reduced the inflation assumption from 3.0% to 2.75%, effective July 1, 2017. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25%.

A 7.65% discount rate was used to determine the projected contribution requirments for fiscal year 2018/2019 and a 7.60% rate was used for the 2019/2020 fiscal year. Beginning July 1, 2018, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

Demographic and salary assumptions were updated beginning with the July 1, 2019 valuation to reflect the results of the most recent experience study observed for the period July 1, 2013 - June 30, 2018. The Board of Trustees adopted a change in the inflation assumption from 2.50% to 2.30% effective July 1, 2020. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .2% in the June 30, 2020 valuation. A 7.55% discount rate was used to determine the valuation for the fiscal year 2020/2021, while a 7.40% discount rate was used for the fiscal year 2021/2022 valuation.

TRSL

The Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.75% to 7.70% for the June 30, 2017 valuation.

A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2018/2019. Demographic and salary assumptions were updated beginning with the June 30, 2018 valuation to reflect the results of the most recent experience study observed for the period July 1, 2012 - June 30, 2017. On November 1, 2018, the TRSL board accelerated the discount rate reduction plan by one year and a 7.55% rate was used to determine the projected contribtuion requirements for the 2019/2020 fiscal year. Beginning July 1, 2018, the projected contribution requirement includes direct funding of administrative expenses, rather than a reduction in the assumed rate of return, per Act 94 of 2016.

Effective July 1, 2020, the TRSL Board reduced the inflation from 2.5% to 2.3%. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .2% in the June 30, 2020 valuation. A 7.45% discount rate was used to determine the valuation for fiscal year 2020/2021, while a 7.40% discount rate was used for the fiscal year 2021/2022 valuation.

Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability — Schedule 3

Fiscal Year*	Board's proportion of the total collective OPEB liability	Board's proportionate share of the total collective OPEB liability	Board's covered-employee payroll	Board's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll
2017	0.0095%	$862,438	$355,800	242.39%
2018	0.0095%	$826,108	$357,930	230.80%
2019	0.0100%	$850,652	$364,123	233.60%
2020	0.0094%	$726,965	$364,344	199.50%
2021	0.0090%	$742,574	$432,009	171.90%
2022	0.0113%	$1,033,055	$292,112	353.70%

*Amounts presented for each fiscal year were determined as of the beginning of the fiscal year (on the measurement date).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule 3 (Required Supplementary Information)

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes of Assumptions include:

1. The discount rate was changed from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

   The discount rate was changed from 3.13% as of July 1, 2017, to 2.98% as of July 1, 2018.

   The discount rate was changed from 2.98% as of July 1, 2018, to 2.79% as of July 1, 2019.

   The discount rate was changed from 2.79% as of July 1, 2019, to 2.66% as of July 1, 2020.

   The discount rate was changed from 2.66% as of July 1, 2020, to 2.18% as of July 1, 2021.
2. Baseline per capita costs were updated to reflect 2021 claims and enrollment.
3. Medical plan election percentages were updated based on the coverage elections of recent retirees.
4. The healthcare cost trend rate assumption was revised based on updated National Health Care Trend Survey.

SUPPLEMENTARY INFORMATION

Schedule of Per Diem Paid to Board Members
For the Year Ending June 30, 2022

The Schedule of Per Diem Paid to Board Members (Schedule 4) is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Regular Session of the Louisiana Legislature. Officers of the Board receive compensation of $250 per month, and other members receive $200 per month in accordance with the Louisiana Accountancy Act (as amended by Act 553 of the 2016 Regular Session of the Louisiana Legislature).

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
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Schedule of Per Diem Paid to Board Members
For the Year Ended June 30, 2022

Name	Title	Amount
Lynn V. Hutchinson, CPA	Chair (July 2021 - June 2022)	$3,000
Nicholas J. Langley, CPA	Member (July 2021 - June 2022)	2,400
Desireé W. Honoré, CPA	Treasurer (July 2021) Member (August 2021 - June 2022)	2,450
Grady R. Hazel, CPA	Member (July 2021 – June 2022)	2,400
Suemarie S. Alizadeh, CPA	Member (July 2021 – June 2022)	2,400
Michael D. Bergeron, CPA	Member (July 2021) Secretary (August 2021 - June 2022)	2,950
Lettie Lowe-Ardoin, CPA	Secretary (July 2021) Treasurer (August 2021 - June 2022)	3,000
Total		$18,600

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

November 22, 2022

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*

Independent Auditor's Report

STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited, in accordance with the 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 *(Government Auditing Standards)*, the financial statements of the business-type activities of the State Board of Certified Public Accountants of Louisiana (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 22, 2022. Our report was modified to include an emphasis of matter paragraph regarding the implementation of Government Accounting Standards Board Statement No. 87, *Leases*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

AB:CR:RR:EFS:aa

CPA 2022