STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA

A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDING JUNE 30, 2021
ISSUED NOVEMBER 17, 2021

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

November 9, 2021

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Board as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, the Schedule of the Board's Proportionate Share of the Net Pension Liability on page 33, the Schedule of Board Contributions on page 33, and the Schedule of the Board's Proportionate Share of the Total Collective OPEB Liability on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Per Diem Paid to Board Members on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Per Diem Paid to Board Members 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Per Diem Paid to Board Members 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 9, 2021, 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

AM:CR:RR:EFS:aa

CPA 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State Board of Certified Public Accountants of Louisiana's (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2021. 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 $31,899 from June 30, 2020, to June 30, 2021.

- 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 decreased by $30,062, or 2.9%, from 2020 to 2021.

    - Revenue related to annual licensing renewals was down overall $99,560, or 10.8%, from the prior-year renewal revenue. The majority of that revenue decrease was due to the Legislature's enactment of House Concurrent Resolution No. 71 on June 1, 2020, which suspended license renewal fees imposed on businesses based in Louisiana through June 30, 2021.

    - Delinquent and reinstatement fee revenue increased by $16,755, or 39.4%, compared to the prior year. This revenue type fluctuates depending on licensees' compliance with annual renewal deadlines.

    - Revenue related to enforcement activity is subject to wide fluctuation from year to year. Fines and settlements, which include recoveries of enforcement costs, represent $98,806, or 9.7% of total operating revenues for the fiscal year 2021. Compared to last fiscal year, revenue from enforcement activity was up $48,591, or 96.8%.

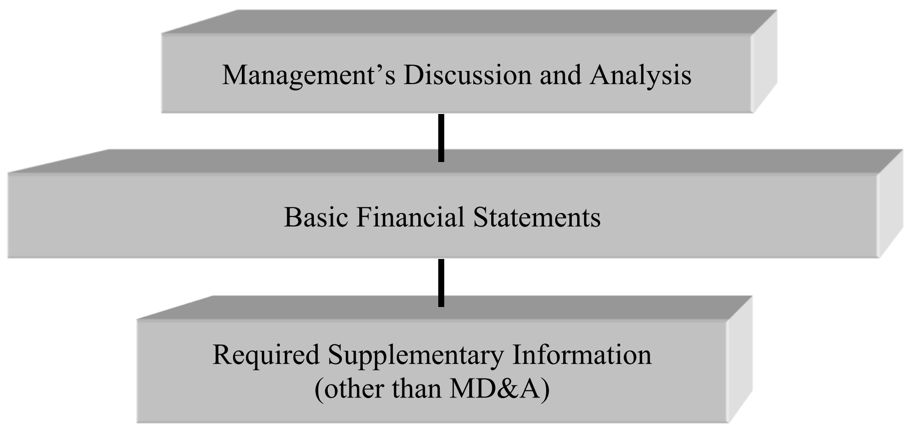
- The Board's operating expenses are generally ordinary and predictable expenses that do not vary significantly year to year for personnel, office and machinery rental, utilities, postage, audit, legal, and other professional fees, and supplies.

  - Total operating expenses for the year decreased by $89,564, or 8.3%, from 2020 to 2021.

- The largest decreases were in three primary areas: bad debt expense decreased by $51,716, travel expense decreased by $13,283, and personal services expenses decreased by $29,772.

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 (GASB) 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 11) 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 12) 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 13) 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 supplementary information includes the Schedule of Per Diem Paid to Board Members (Schedule 4, page 37), 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	
	2021	2020
Current and other assets	$1,952,241	$1,956,278
Capital assets		
Total assets	1,952,241	1,956,278
Total deferred outflow of resources	595,258	340,345
Current liabilities	108,202	96,329
Noncurrent liabilities	2,418,422	2,105,536
Total liabilities	2,526,624	2,201,865
Total deferred inflow of resources	153,372	259,154
Net position:		
Unrestricted	(132,497)	(164,396)
Total net position	($132,497)	($164,396)

The net position of the Board increased by $31,899 from June 30, 2020 to June 30, 2021.

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

	Total	
	2021	2020
Operating revenues	$1,017,876	$1,047,938
Operating expenses	990,898	1,080,462
Operating income/(loss)	26,978	(32,524)
Nonoperating revenues	4,921	24,347
Income (Loss)	31,899	(8,177)
Net increase (decrease) in net position	$31,899	($8,177)

The Board's total operating revenues decreased by $30,062. Overall, renewal revenue decreased by $99,560, while revenue from application fees increased by $425, and revenue from delinquent and reinstatement fees increased by $16,755. Gradual fee increases for delinquent renewal reinstatements were adopted two years ago, and that revenue type fluctuates depending on licensees' compliance with annual renewal deadlines.

Enforcement activities were up from the previous year by $48,591. 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 $89,564. 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 three primary areas: bad debt expense decreased by $51,716, travel expense decreased by $13,283, and personal services decreased $29,772. The decrease in bad debt expense is the result of write-offs of debt during the prior fiscal year. There were no write-offs in the current year. Travel expenses decreased due to COVID-related restrictions. The overall decrease in personal services was mainly attributed to the retirement of two Board employees during the fiscal year. These retirements caused salaries and employer-retirement contributions to decrease while compensated absence expense increased. The employees were compensated for a portion of their accrued annual leave upon retirement. The Board utilizes the collection services offered through the Louisiana Office of Debt Recovery for outstanding legally enforceable debts and obligations, and amounts recovered from bad debt expenses are classified as recovery revenue. 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.

CAPITAL ASSET 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, 2021, all of the Board's capital assets have been fully depreciated.

There were no additions to capital assets made during this fiscal year.

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 relates 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.

The Board projected that next year's revenues would be higher 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 are expected to remain approximately the same as this past year, as well as revenue from delinquent and reinstatement fees. Revenues from firm permit renewals are expected to increase for the following year.

- 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.

In response to COVID-19, House Concurrent Resolution (HCR) 71 was adopted June 1, 2020, by Louisiana legislators which required the Board to waive renewal fees imposed on businesses based in Louisiana through June 30, 2021, and amended the budget accordingly for the past fiscal year. Despite the ongoing COVID-19 pandemic, the Board has reinstated firm permit renewal fees for the upcoming fiscal year and that revenue has been included in its budget.

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, 2021

ASSETS	
Current assets:	
Cash (note 2)	$1,921,240
Receivables	7,065
Prepayments	23,936
Total current assets	1,952,241
Total assets	1,952,241
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits (note 5)	128,134
Deferred outflows related to pensions (note 3)	467,124
Total deferred outflows of resources	595,258
LIABILITIES	
Current liabilities:	
Accounts payable	39,417
Unearned revenue	4,450
Compensated absences payable (note 4)	11,668
Other postemployment benefits (OPEB) payable (note 5)	52,667
Total current liabilities	108,202
Noncurrent liabilities:	
Compensated absences payable (note 4)	25,984
Other postemployment benefits (OPEB) payable (note 5)	689,907
Net pension liability (note 3)	1,702,531
Total noncurrent liabilities	2,418,422
Total liabilities	2,526,624
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits (note 5)	131,700
Deferred inflows related to pensions (note 3)	21,672
Total deferred inflows of resources	153,372
NET POSITION	
Unrestricted	(132,497)
Total net position	($132,497)

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, 2021

OPERATING REVENUES	
Licenses, permits, and fees	$912,200
Fines and settlements	98,806
Other income	6,870
Total operating revenues	1,017,876
OPERATING EXPENSES	
Personal services	676,946
Professional and contractual	73,796
Operating services and supplies	240,156
Total operating expenses	990,898
OPERATING INCOME	26,978
NONOPERATING REVENUES	
Interest earnings	4,530
Other nonoperating revenues	391
Total nonoperating revenues	4,921
Change in net position	31,899
TOTAL NET POSITION AT BEGINNING OF YEAR	(164,396)
TOTAL NET POSITION AT END OF YEAR	($132,497)

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from licensees and registrants	$1,006,047
Cash received from customers	6,870
Cash payments to suppliers for goods and services	(317,775)
Cash payments to employees for services	(709,288)
Net cash used by operating activities	(14,146)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	NONE
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	4,530
NET DECREASE IN CASH	(9,616)
CASH AT BEGINNING OF YEAR	1,930,856
CASH AT END OF YEAR	$1,921,240
Reconciliation of operating income to net cash used by operating activities:	
Operating income	$26,978
Adjustments to reconcile operating income to net cash provided by operating activities:	
Nonemployer contributing entity revenue	391
Changes in assets and liabilities:	
(Increase) Decrease in receivables	(5,204)
(Increase) Decrease in prepayments	(375)
(Increase) Decrease in deferred outflows related to OPEB	(35,490)
(Increase) Decrease in deferred outflows related to pensions	(219,423)
Increase (Decrease) in accounts payable and accruals	(5,495)
Increase (Decrease) in compensated absences payable	869
Increase (Decrease) in OPEB payable	15,609
Increase (Decrease) in unearned revenues	275
Increase (Decrease) in net pension liability	313,501
Increase (Decrease) in deferred inflows related to OPEB	(27,219)
Increase (Decrease) in deferred inflows related to pensions	(78,563)
Total adjustments	(41,124)
Net cash used by operating activities	($14,146)

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, 2021, there were 7,446 active (licensed), 2,627 inactive (unlicensed) and 271 retired (unlicensed) CPAs, and 1,923 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. 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 system's 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.

H. 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.

I. NET POSITION

The Board's net position is unrestricted. 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.

J. 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, 2021, the Board's total deposits (collected bank balances) was $1,923,724, 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 two state public employee retirement systems, LASERS and 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.

<u>TRSL</u> – 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 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, 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 2021 were $159,059, with active member contributions of 8% and employer contributions of 40.1% of covered payroll. Employer defined benefit plan contributions to TRSL for fiscal year 2021 were $2,889, with active member contributions of 8% and employer contributions of 25.8%. 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, 2021, the Board reported liabilities of $1,601,863 and $100,668 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, 2020, 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, 2020, the most recent measurement date, the Board's proportions and the changes in proportion from the prior measurement date were 0.019370%, or an increase of 0.001440%, for LASERS and 0.000910%, which was the same as the prior measurement for TRSL. During fiscal year 2021, the Board's only employee who participated in TRSL retired. As a result, the Board's proportionate share for the TRSL liability will be reduced to zero for the fiscal year 2022 reporting period.

For the year ended June 30, 2021, the Board recognized a total pension expense of $177,854, or $166,934 and $10,920 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				($15,384)	($1,616)	($17,000)
Changes of assumptions	$5,125	$5,989	$11,114			
Net difference between projected and actual earnings on pension plan investments	234,162	7,771	241,933			
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,633	2,496	52,129	(2,760)	(1,912)	(4,672)
Employer contributions subsequent to the measurement date	159,059	2,889	161,948			
Total	$447,979	$19,145	$467,124	($18,144)	($3,528)	($21,672)

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	LASERS	TRSL	Total
2022	$76,697	$1,227	$77,924
2023	$67,528	$3,734	$71,262
2024	$72,362	$4,760	$77,122
2025	$54,190	$3,008	$57,198

Actuarial Assumptions.

The total pension liabilities for LASERS and TRSL in the June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2020	June 30, 2020
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	7.55% per annum, net of investment exp.	7.45% per annum, net of investment exp.
Inflation Rate	2.30% per annum	2.30% per annum
Mortality - Non-disabled	RP-2014 Healthy Mortality 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 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 3.0% to 12.8% for regular plan members	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 June 30, 2020, valuations include the following changes in assumptions:

- The LASERS and TRSL Boards adopted plans to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments, beginning July 1, 2017. Therefore, the discount rate was reduced from 7.60% to 7.55% for the LASERS June 30, 2020, valuation. 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 contribution requirements for the 2019/2020 fiscal year. The discount rate was accelerated again by TRSL for the 2020/2021 fiscal year beyond the original plan to 7.45% to determine projected contribution requirements. The discount rate used by LASERS for the 2021/22 fiscal year was reduced beyond the original plan to 7.40%. Projected contribution requirements for the 2021/22 fiscal year was determined using a 7.40% discount rate for LASERS and TRSL.

- The LASERS and TRSL Boards reduced the inflation assumption from 2.5% to 2.3%, effective July 1, 2020. Since the inflation assumption is also a component of the salary increase assumption, all salary increase assumptions for these plans were reduced by 0.20%.

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 8.25% and 8.17% 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, 2020, are summarized for each plan in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	-0.59%
Domestic equity	23.00%	4.79%
International equity	32.00%	5.83%
Domestic fixed income	6.00%	1.76%
International fixed income	10.00%	3.98%
Alternative investments	29.00%	6.69%
Risk Parity	0.00%	4.20%
Total	100.00%	
TRSL (arithmetic)		
Domestic equity	27.00%	4.60%
International equity	19.00%	5.54%
Domestic fixed income	13.00%	0.69%
International fixed income	5.50%	1.50%
Private equity	25.50%	8.62%
Other private assets	10.00%	4.45%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.55% and 7.45% for LASERS and TRSL, respectively. 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 7.55% and 7.45% for LASERS and TRSL, respectively:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.55%	7.55%	8.55%
LASERS	$1,968,440	$1,601,863	$1,290,782

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.45%	7.45%	8.45%
TRSL	$131,414	$100,668	$74,786

Support of Non-employer Contributing Entities. Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Board recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. The Board recognized revenue as a result of support received from non-employer contributing entities of $391 for its participation in TRSL.

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, 2021, the Board had $18,376 and $0 in payables to LASERS and TRSL, respectively, for the June 2021 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, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Compensated absences payable	$36,783	$33,003	($32,134)	$37,652	$11,668
Total long-term liabilities*	$36,783	$33,003	($32,134)	$37,652	$11,668

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

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, employer, 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, 2021, the Board reported a liability of $742,574 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2020, 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, 2020, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date was 0.0090%, or a decrease of 0.0004%.

The total collective OPEB liability in the July 1, 2020, 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 2.8%

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

- Discount rate – 2.66% based on June 30, 2020 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 – 6.75% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2021-2022, to an ultimate rate of 4.5% in 2029; 5.25% for post-Medicare eligible employees grading down by .25% each year, beginning in 2021-2022, to an ultimate rate of 4.5% in 2023-2024 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, 2019, through December 31, 2020, and medical claims for retired participants for the period January 1, 2018 through December 31, 2019, trended to the valuation date. The last month of the prescription drug claim experience was adjusted for incurred but not reported claims using completion factors based on prior year data. Per capita costs for fully-insured plans were based on calendar year 2021 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 - The percentage of employees and their dependents eligible for early retiree benefits that will 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. This assumption has been updated since the prior valuation based on a review of OPEB experience from July 1, 2017, through June 30, 2020.

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 and assumptions used in the pension valuations disclosed in Note 3. Other 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 2.79% as of July 1, 2019, to 2.66% as of July 1, 2020.
- Baseline per capita costs were updated to reflect 2020 claims and enrollment for the prescription drug costs, and retiree contributions were updated based on 2021 premiums. The 2020 medical claims and enrollment experience was not included in the projection of expected 2021 plan costs due to the COVID-19 pandemic which resulted in 2020 medical claims experience which is not reflective of what is expected in future years
- The salary scale assumptions were revised for the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana.
- Medical participation rates, life participation rates, the age difference between future retirees and their spouses, Medicare eligibility rates, and medical plan election percentages have all been updated based on a review of OPEB experience from July 1, 2017, through June 30, 2020.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

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
	1.66%	2.66%	3.66%
Proportionate Share of Total Collective OPEB Liability	$862,966	$742,574	$646,774

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

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	(4.25% decreasing to 3.5%)	(5.25% decreasing to 4.5%)	(6.25% decreasing to 5.5%)
Pre-65 Rates	(5.75% decreasing to 3.5%)	(6.75% decreasing to 4.5%)	(7.75% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$650,777	$742,574	$857,777

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

For the year ended June 30, 2021, the Board recognized OPEB expense of $5,567. At June 30, 2021, 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	$17,078	($1,429)
Changes of assumptions or other inputs	19,414	(71,059)
Changes in proportion and differences between benefit payments and proportionate share of benefit payments	38,975	(59,212)
Amounts paid by the employer for OPEB subsequent to the measurement date	52,667	
Total	$128,134	($131,700)

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, 2022. 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
2022	($25,169)
2023	(22,103)
2024	(10,583)
2025	1,622
	($56,233)

6. OPERATING LEASE

The Board's total rental and lease expense for June 30, 2021, was $98,126, which includes an operating lease for office space with a term ending on August 31, 2026. The lease provides for a monthly rental rate of $5,905. The Board has no capital leases. Future minimum operating lease payments under this operating lease for the years ending June 30 are as follows:

Fiscal Year	Future Minimum Payments
2022	$70,854
2023	70,854
2024	70,854
2025	70,854
2026	70,854
2027	11,809
Total	$366,079

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, 2021, 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.

9. SUBSEQUENT EVENT

In response to COVID-19, House Concurrent Resolution (HCR) 71 was adopted June 1, 2020, by Louisiana legislators and required the Board to waive renewal fees imposed on businesses based in Louisiana through June 30, 2021. In that spirit, the Board adopted a fee change at its July 2020 board meeting to waive renewal fees imposed on all businesses, regardless of where the business is based, through June 30, 2021. These fees are being charged and collected for fiscal year 2022.

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 systems.

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
STATE OF LOUISIANA

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%
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%

*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%
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%

*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 projected contribution requirements for fiscal year 2020/2021.

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 projected contribution requirements for fiscal year 2020/2021.

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%

*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.

2. Baseline per capita costs were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums

   Baseline per capita costs were updated to reflect 2020 claims and enrollment for the prescription drug costs and retiree contributions were updated based on 2021 premiums. 2020 medical claims and enrollment experience were reviewed but not included in the projection of 2021 plan costs due to the COVID-19 pandemic which resulted in 2020 medical claims experience which is not reflective of what is expected in future years.

3. Life insurance contributions were updated to reflect 2020 premium schedules

4. The impact of the High Cost Excise Tax was removed. The High Cost Excise Tax was repealed in December 2019.

5. Demographic assumptions were revised beginnng July 1, 2019 for the Louisiana State Employees' Retirement System to reflect the recent experience study for the period July 1. 2013 - June 30, 2018.

6. The salary scale assumptions were revised for the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana.

7. Medical participation rates, life participation rates, the age difference between future retirees and their spouses, Medicare eligibility rates, and medical plan election percentages have all been updated based on areview of OPEB experience from July 1, 2017 through June 30, 2020.

SUPPLEMENTARY INFORMATION

Schedule of Per Diem Paid to Board Members
For the Year Ending June 30, 2021

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
STATE OF LOUISIANA

Schedule of Per Diem Paid to Board Members
For the Year Ended June 30, 2021

Name	Title	Amount
Lynn V. Hutchinson, CPA	Chair (July 2020 - June 2021)	$3,000
Nicholas J. Langley, CPA	Treasurer (July 2020) Member (August 2020 - June 2021)	2,450
Desireé W. Honoré, CPA	Secretary (July 2020) Treasurer (August 2020 - June 2021)	3,000
Grady R. Hazel, CPA	Member (July 2020 - June 2021)	2,400
Suemarie S. Alizadeh, CPA	Member (July 2020 – June 2021)	2,400
Michael D. Bergeron, CPA	Member (July 2020 – June 2021)	2,400
Letti Lowe-Ardoin, CPA	Member (July 2020) Secretary (August 2020 - June 2021)	2,950
Total		$18,600

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters as required by *Government Auditing Standards* issued by the Comptroller General of the United States. This 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.

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

November 9, 2021

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, 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, 2021, 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 9, 2021.

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 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 may exist that have not been identified.

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 Board'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

AM:CR:RR:EFS:aa

CPA 2021