LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS GOVERNOR'S OFFICE STATE OF LOUISIANA

FINANCIAL REPORT

December 31, 2019

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

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LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

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Provost Salter Harper & Alford LLC
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INDEPENDENT AUDITOR'S REPORT

Governor's Office
Louisiana State Licensing Board for Contractors
State of Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Louisiana State Licensing Board for Contractors' 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 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 Louisiana State Licensing Board for Contractors as of December 31, 2019, and the changes in its financial position and its 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, budgetary comparison information, the schedule of changes in net OBEP liability and related ratios, the schedule of employer's proportionate share of the net pension liability, and the schedule of employer's pension contributions, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements. The schedule of per diem paid board members on schedule 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to agency head on schedule 6 is presented to comply with the requirements issued by the State of Louisiana and is not a required part of the basic financial statements.

The schedule of per diem paid board members and the schedule of compensation, benefits and other payments to agency head 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 board members and the schedule of compensation, benefits and other payments to agency head are 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 June 8, 2020 on our consideration of the Louisiana State Licensing Board for Contractors' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana State Licensing Board for Contractors' internal control over financial reporting and compliance.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 8, 2020
Baton Rouge, Louisiana

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Louisiana State Licensing Board for Contractors' (the Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended December 31, 2019. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with prior year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Board's total net position decreased by $289,729 or 9.0%.

The operating revenues of the Board decreased $116,723 or 1.9%.

The non-operating revenues of the Board decreased $29,965 or 54.3%.

The operating expenses of the Board increased $595,855 or 10.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, as may be applicable, and the Board includes schedules of Board Members' Per Diem and Compensation, Benefits and Other Payments to Agency Head as Other Supplementary Information. Other than the MD&A, the Board's required supplementary information includes the Statement of Revenues and Expenditures and Changes in Net Position – Budget (Legal) and Actual – Enterprise Fund, the Schedules of Funding Progress for Postemployment Benefits, Employer's Proportionate Share of the Net Pension Liability, and Employer's Pension Contributions. These reports fulfill the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis-for State and Local Governments.*

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Board present information about 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 and related notes to the financial statements.

The Statement of Net Position (Statement A) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Louisiana State Licensing Board for Contractors is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (Statement B) presents information on 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) presents information on 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 34.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

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

	Current Year as of and for the year ended December 31, 2019	Prior Year as of and for the year ended December 31, 2018
Current assets	$ 7,611,021	$ 8,066,095
Capital assets	9,780,788	9,676,485
Total assets	17,391,809	17,742,580
Deferred outflows	1,078,379	754,355
Current liabilities	5,344,283	5,549,844
Noncurrent liabilities	16,055,646	15,497,401
Total liabilities	21,399,929	21,047,245
Deferred inflows	588,055	677,757
Net investment in capital assets	9,780,788	9,676,485
Unrestricted	(13,298,583)	(12,904,552)
Total net position	$ (3,517,795)	$ (3,228,067)
Operating revenues	$ 6,066,991	$ 6,183,714
Operating expenses	6,207,027	5,611,172
Operating income (loss)	(140,036)	572,542
Non-operating revenues	25,223	55,188
Non-operating expenses	(174,916)	-
Change in net position	$ (289,729)	$ 627,730

CAPITAL ASSETS AND DEBTS

Capital Assets

The Board's investment in capital assets as of December 31, 2019, amounts to $9,780,788 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and operating facilities, office furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 1.1%.

The Construction in Progress amount below consists of building, architectural, legal, and engineering fees in the construction of a new building in downtown Baton Rouge. Construction was completed in 2019.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTOR'S CAPITAL ASSETS (net of accumulated depreciation)

	2019	2018
Land and improvements	$ 2,258,450	$ 2,797,340
Buildings and operating facilities	7,482,509	2,049,417
Office, furniture and equipment	39,829	56,468
Construction in Progress	-	4,773,260
	$ 9,780,788	$ 9,676,485

Additional information on the Board's capital assets can be found in note 4 of the financial statements.

Long Term Obligations

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 as well as liabilities recorded for other postemployment benefits and net pension liability, which are described in the notes to the financial statements.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS AND ACTUAL RESULTS

The Board's annual budget is on a modified accrual basis of accounting excluding certain non-exchange revenues and non-cash items, such as accrued earnings of compensated absences, actuarial adjustment relative to pension and OPEB costs, and depreciation expense. A comparison of budget to actual operations is a required supplementary statement and is presented in Schedule 1.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

For the year ended December 31, 2019, actual revenue was 103.2% of budgeted amounts.

For the year ended December 31, 2019, total expenditures were 82.3% of budgeted amounts.

ECONOMIC CONDITIONS AND OUTLOOK

The Louisiana State Licensing Board for Contractors (LSLBC) was created in 1956 to protect the public from fraudulent, inexperienced, and incompetent contractors. Its authority includes the monitoring of construction projects to ensure compliance with licensing requirements. Through its regulation and enforcement of contractor licensing laws, the LSLBC promotes integrity in the construction industry. This role ensures a level playing field for companies licensed to do business in Louisiana.

Licensed and professional contractors carry all requirements of state and federal laws. Unfortunately, the unlicensed, unscrupulous scam artists do not and cause severe damage and financial losses to our consumers and state. Consumers and business owners have the responsibility to check references and verify licensure before hiring a contractor. Cheap prices that sound too good to be true, with no written contract, are clear warning signs for contractor fraud. Partnerships and cooperative efforts with permit offices, as well as state and local law enforcement, lead to a systemic response in serving the public.

LSLBC maintains as top priorities customer service and a continued effort to work toward efficiencies and simplification in serving licensed contractors.

In 2019, the State's economy has been quite sluggish between major construction projects and a regression drilling in the Gulf of Mexico. Louisiana has produced oil and gas for more than a century and its production is a key driver in Louisiana's economy. Louisiana is the country's second largest producer of crude oil and the third largest producer of natural gas, if offshore production is included. The decline in oil prices from late 2014 through 2017 led to a 28-month recession and a loss of 23,300 jobs; however, the State's economy began to recover in 2018. Low natural gas prices in the United States and the expectation that prices will remain low has led to a remarkable industrial boom in the State. Since 2012, there have been a total of $188.4 billion in industrial projects announced in the state. Of that amount, $76.1 billion have been constructed or are underway. The remaining $112.3 billion in projects are in the front-end engineering and design (FEED) stage. Many of these new projects are being constructed at facilities that are heavy consumers and exporters of chemicals and liquefied natural gas (LNG). The upcoming construction projects beginning in 2020-2021, will give a much-needed boost to the Lake Charles, New Orleans, and Baton Rouge economies.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS
Baton Rouge, Louisiana

Management's Discussion and Analysis

NEXT YEAR'S BUDGET

The budget continues the LSLBC's tradition of providing high quality services to the public while prudently managing the public's funds. Our goal in preparing this budget has been to make recommendations consistent with our long-term priorities and to be fiscally responsible to the individuals we serve.

Given the relatively positive outlook in the economy, we expect a change in the revenue budget next year-increasing 1.9% over last year. The proposed budget reflects increases from the 2019 actual revenues to adapt to our ever-changing economy.

Expenditures in salaries have increased 3.7% due to performance pay increases. A continuing pressure on our budget is the cost of benefits, including healthcare and retirement for employees and retirees. Due to the increase in the required contribution costs of related benefits primarily associated with group health insurance increasing by 7.07%, and retirement by 12.24%. Reductions were made to some of expenditures, such as, advertising, and building supplies. Also included in reduction of expenditures is construction-in-progress due to the completion of the new building located on North St in June of 2019.

Throughout these challenging times, the LSLBC's workforce has continued to provide quality services to the public. I am confident this commitment will continue over the coming year as we adapt to the ongoing state of flux in our economy. I want to thank the Board and our Administration for their leadership, collaboration and support. I also would like to recognize my staff for their contributions and dedication throughout the budgeting process.

The information for the economic outlook is from The Louisiana Economic Outlook: 2020 and 2021, by Loren C. Scott, Greg Upton, and Judy S. Collins; published in September 2019.

CONTACTING THE BOARD'S MANAGEMENT

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Louisiana State Licensing Board for Contractors, 600 North St., Baton Rouge, LA 70802.

Statement A

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Net Position — ***December 31, 2019***

ASSETS	
Current Assets	
Cash and cash equivalents	$ 7,035,903
Investments	508,912
Other current assets	66,206
Total current assets	7,611,021
Noncurrent Assets	
Property and equipment, net of accumulated depreciation of $527,382	9,780,788
Total Assets	17,391,809
Deferred Outflows of Resources	1,078,379
LIABILITIES	
Current Liabilities	
Accounts payable	1,334,397
Refunds payable	13,930
Due to Contractor's Educational Trust Fund	328,044
Unearned revenues	3,572,346
Current portion of long-term liabilities:	
Compensated absences payable	95,566
Total current liabilities	5,344,283
Noncurrent Liabilities	
Noncurrent compensated absences	207,945
Other postemployment benefits	6,839,014
Net pension liability	9,008,687
Total noncurrent liabilities	16,055,646
Total Liabilities	21,399,929
Deferred Inflows of Resources	588,055
Total Liabilities and deferred inflow of resources	21,987,984
NET POSITION (DEFICIT)	
Net investment in capital assets	9,780,788
Unrestricted	(13,298,583)
Total net position (deficit)	$ (3,517,795)

See Notes to Financial Statements.

Statement B

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2019

Operating Revenues	
Licenses, permits and fees	$ 6,066,991
Operating Expenses	
Personal services	4,355,312
Enforcement mileage reimbursement	119,810
Travel	65,987
Operating services	1,054,466
Supplies	289,108
Professional services	157,518
Depreciation	164,826
Total operating expenses	6,207,027
Operating Income/(Loss)	(140,036)
Non-Operating Revenues and (Expenses)	
Investment income	25,223
Gain/(loss) on disposal of assets	(174,916)
Total non-operating revenues and (expenses)	(149,693)
Change in Net Position	(289,729)
Total Net Position, Beginning	(3,228,066)
Total Net Position, Ending	$ (3,517,795)

Statement C

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Cash Flows — ***Year Ended December 31, 2019***

Cash Flows From Operating Activities:		
Cash received from licensees and applicants	$	5,889,830
Cash received on behalf of others		328,044
Cash paid for agency liabilities		(245,598)
Cash paid to employees for services		(4,206,932)
Cash paid to suppliers for goods and services		(1,797,152)
Net Cash Provided By (Used In) Operating Activities		(31,808)
Cash Flows From Investing Activities		
Purchase of capital assets		(2,819,984)
Proceeds from sales of capital assets		2,375,000
Purchase of investments		(3,500,000)
Maturities/redemption of investments		6,259,002
Interest received on investments		25,223
Net Cash Provided By (Used In) Investing Activities		2,339,241
Net Increase (Decrease) In Cash And Cash Equivalents		2,307,433
Cash and Cash Equivalents		
Beginning of year		4,728,470
End of year	$	7,035,903
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income (loss)	$	(140,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation		164,826
(Increase) decrease in assets:		
Other current assets		4,444
Increase (decrease) in liabilities:		
Compensated absences payable		11,002
Refunds payable		841
Accounts payable		(110,846)
Unearned revenue		(178,002)
Due to Contractor's Educational Trust Fund		82,446
Pension expense		133,517
Net Cash Provided By (Used In) Operating Activities	$	(31,808)

See Notes to Financial Statements.

1. INTRODUCTION

The Louisiana State Licensing Board for Contractors (Board) is a component unit of the State of Louisiana created within the Governor's office, as provided by Louisiana Revised Statute (R.S.) 37:2150. The Board is statutorily composed of 15 members appointed by the Governor, who serve terms of two to six years. In addition, the Residential Building Contractors Subcommittee consist of 5 members appointed by the Governor and 2 ex officio members, the Chairman and Vice Chairman, appointed by the Louisiana State Licensing Board of Contractors. The Board is charged with the responsibility of licensing and regulating contractors doing business in the state of Louisiana. In addition, it is responsible for the health, safety, and general welfare of all contractees and the affording of such persons of an effective and practical protection against incompetent, inexperienced, unlawful, and/or fraudulent acts of contractors. Furthermore, legislative intent is that the Board shall monitor construction projects to ensure compliance with the licensure requirements. The Board's operations are financed with self-generated revenues, such as license, examination, and other related fees. As of December 31, 2019, there were approximately 24,428 licensed contractors in the state. The Board has 47 full-time employees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

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 exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions and the activities of the Board.

Fund Accounting. All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. 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.

The Board uses the following practices in recording revenues and expenses:

Revenues

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

Expenses

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

Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

Unearned Revenues

Unearned revenues arise when potential revenues are collected or received prior to being earned.

Agency Transactions

The Board acts as an agent for certain transactions relative to the Contractor's Educational Trust Fund and optional contributions to Louisiana Universities. When acting in this capacity, they do not treat the receipt of funds as revenue, nor do they record an expenditure when they disburse the assets to the recipient. Instead, they act as a go-between.

Budget Practices. The Board submitted its annual budget to the various agencies prescribed by R.S. 39:1331-1342, in accordance with R.S. 36:803. The budget for fiscal year ended December 31, 2019, was adopted by the Board on December 19, 2018, and is prepared and reported on a modified accrual basis of accounting. Although budgeted amounts lapse at year end, the Board retains its unexpended fund balance to fund expenditures of succeeding years.

Cash and Cash Equivalents. Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities extending beyond 90 days are considered certificates of deposit.

Under state law, the Board may deposit funds in 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. Furthermore, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principle offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificates of accounts of federal or state chartered credit unions.

Cash and cash equivalents are stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2019, the Board has $7,065,764 in deposits (collected bank balances). These deposits are secured from risk by $250,000 of federal deposit insurance and $6,995,616 of pledged securities.

Investments. Short-term investments are stated at amortized cost, which approximates market value.

Capital Assets. Capital assets consist of office and computer equipment, vehicles and the office building and are capitalized at historical costs. These assets, net of accumulated depreciation, are included on the Statement of Net Position. The Board follows the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. However, according to the Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over $5,000 and computer software valued at or over $1,000,000 are capitalized and depreciated for financial statement purposes. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets. Equipment, furniture, and software acquisitions with costs less than the above thresholds are charged as an administrative expense.

The useful lives are as follows:

Computer equipment	5 years
Office furniture and equipment	6-10 years
Vehicles	5 years
Buildings and building improvements	7-40 years
Land improvements	20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-term Obligations. Long term obligations at December 31, 2019 include compensated absences, other post-employment benefit obligations and pension liabilities that will not be paid within the next fiscal year.

Pensions. 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 additions to/deductions from LASERS fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Upon separation or transfer, unused compensatory leave earned hour for hour by non-exempt employees shall be paid in accordance with the following schedule, at the final regular rate received by the employee, calculated in accordance with State Civil Service Rule 21.5(a). All additional such unused leave may be paid or cancelled and shall not be re-credited to him upon his reemployment in that or any other department.

360 hours must be paid after January 1, 2003

450 hours must be paid after January 1, 2004

All hours must be paid after January 1, 2005

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

Net Position. Net position comprises the various net earnings from operation, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following two components as applicable:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted consists of all other net assets that are not invested in capital assets.

Estimates. The preparation of financial statements in conformity with generally accepted 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows of Resources and Deferred Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Subsequent Events. In preparing these financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through June 8, 2020, which is the date the financial statements were available to be issued.

2. Deficit Net Position

The single proprietary (enterprise) fund had a deficit in unrestricted net position at December 31, 2019 of ($3,517,795). The deficit was caused by the adoption of GASB 68 and GASB 75 which caused the Board to record its proportionate share of pension liability from the LASERS system and its proportionate share of other postemployment benefits. This deficit will be eliminated by increasing revenues and/or reducing expenditures.

3. Deposits and Investments

Deposits. At December 31, 2019, the Board has deposits totaling $7,035,903 (book balances) as follows:

Petty cash	$ 400
Demand deposits	7,035,503
Total	$ 7,035,903

Investments. The Licensing Board is subject to the provisions of Louisiana Revised Statute 33:2955, which is entitled "Investments by political subdivisions." This law, among other things, outlines the types of securities that public entities in Louisiana may acquire and hold as investments. These include U.S. Government and agency securities, and certificates of deposit of banks domiciled or having a branch office in the state of Louisiana. The following table provides information on the credit ratings, maturity dates, and fair values associated with the Licensing Board's investments at December 31, 2019:

	Rating	Maturity Dates	
Louisiana Asset Management Pool	AAAm	N/A	$ 508,912

Interest Rate Risk

Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. Of the Licensing Board's investments, $508,912 have maturities of less than one year.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Licensing Board.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure, the Licensing Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the Licensing Board, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Licensing Board's name. The investments of the Licensing board owned at December 31, 2019 were not subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools).

The Louisiana Asset Management Pool (LAMP) is a local government investment pool. In accordance with GASB Codification Section 150.165, these investments are not categorized with deposits because they are not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. To provide for the required liquidity for withdrawals from LAMP, all investments shall have, at the time of purchase, a maximum remaining maturity of 397 days or 762 days for U.S. Government floating/variable-rate investments, and the dollar weighted-average maturity of LAMP shall not generally exceed 60 days. LAMP voluntarily complies with Standard & Poor's requirement for AAAm-rated funds to restrict the average-weighted maturity of investments to 60 days or less to maintain its AAAm rating for the LAMP Pool. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

4. Capital Assets

A summary of changes in property and equipment for the year ended December 31, 2019 is as follows:

	Beginning of Year	Additions	Reductions	Transfers	End of Year
Land and improvements	$2,836,169	$ -	$ (577,719)	$ -	$2,258,450
Buildings and operating facilities	3,379,221	-	(3,379,221)	7,593,243	7,593,243
Office, furniture and equipment	567,687	-	(156,766)	-	410,921
Vehicles	45,556	-	-	-	45,556
Construction in Progress	4,773,260	2,819,983	-	(7,593,243)	-
	11,601,893	2,819,983	(4,113,706)	-	10,308,170
Less accumulated depreciation	1,925,408	164,826	(1,562,852)	-	527,382
	$9,676,485	$2,655,157	$(2,550,854)	$ -	$9,780,788

5. Pension Plan

Plan Description

Substantially all employees of the Board are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, and at age 60 upon completing ten years of creditable services depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

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. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that give date. The average rate so determined is to be reduced by a "contingency) adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

Disability Benefits

Generally, members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation or 100% of final average compensation if the injury was the result of an intentional act of violence.

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60% of final average compensation, regardless of years of credited service or 100% of final average compensation if the injury was the result of an intentional act of violence. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit 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 aforementioned minimum service credit requirement is ten 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 regular 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 aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

A Hazardous Duty Services Plan member's surviving spouse and minor or handicapped or mentally incapacitated child or children are entitled to survivor benefits of 80% of the member's final average compensation if the member was killed in the line of duty. If the member dies in the line of duty as a result of an intentional act of violence, survivor benefits may be increased to 100% of the member's final average compensation.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and the children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60 % of final average compensation to surviving spouse, or 100% of final average compensation if the injury was the result of an intentional act of violence regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions

The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. Rates for the year ended December 31, 2019 are as follows:

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
January 1 - June 30, 2019			
Regular Employees hired before 7/1/2006	Closed	7.5%	37.9%
Regular Employees hired on or after 7/1/2006	Closed	8.0%	37.9%
Regular Employees hired after 1/1/2011	Closed	8.0%	37.9%
Regular Employees hired on or after 7/1/15	Open	8.0%	37.9%
July 1 - December 31, 2019			
Regular Employees hired before 7/1/2006	Closed	7.5%	40.7%
Regular Employees hired on or after 7/1/2006	Closed	8.0%	40.7%
Regular Employees hired after 1/1/2011	Closed	8.0%	40.7%
Regular Employees hired on or after 7/1/15	Open	8.0%	40.7%

The Board's contractually required composite contribution rates for the year ended December 31, 2019 are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Board were $970,952 for the year ended December 31, 2019.

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

At December 31, 2019, the Employer reported a liability of $9,008,687 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Board's proportion of the Net Pension Liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Board's proportion was .12434%, which was an increase of .00290% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Board recognized pension expense of $1,161,571 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions ($35,612).

At December 31, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 55,316	$ (18,719)
Changes of assumptions	77,196	-
Net difference between projected and actual earnings on pension plan investments	311,238	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	25,357	-
Board contributions subsequent to the measurement date	504,972	-
Total	$ 974,079	$ (18,719)

$504,972 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. 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
2020	$ 278,664
2021	(30,568)
2022	85,628
2023	116,664

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date June 30, 2019
Actuarial Cost Method Entry Age Normal
Actuarial Assumptions:

Expected Remaining Service Lives	2 years
Investment Rate of Return	7.60% per annum, net of investment expenses*
Inflation Rate	2.5% per annum
Mortality	**Non-disabled members** - Mortality rates for 2019 based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. **Disabled members** – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members for 2019.
Salary Increases	Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:

Member Type	Lower Range	Upper Range
Regular	3.2%	13.0%
Judges	2.8%	5.3%
Corrections	3.8%	14.0%
Hazardous Duty	3.8%	14.0%
Wildlife	3.8%	14.0%

Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

*The investment rate of return used in the actuarial valuation for funding purposes was 8.00%, recognizing an additional 40 basis points for gain-sharing. The net return available to fund regular plan benefits is 7.60%, which is the same as the discount rate. Therefore we conclude that the 7.60% discount is reasonable.

The long-term expected rate of return on pension plan investments 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 expense 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 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2019. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Expected Long-Term Real Rates of Return
Cash	0%	0.24%
Domestic equity	23%	4.83%
International equity	32%	5.83%
Domestic Fixed Income	6%	2.79%
International Fixed Income	7%	4.49%
Alternative Investments	29%	8.32%
Global Tactical Asset Allocation	3%	5.06%
Total Fund	100%	6.09%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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 the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the plan's actuary. 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 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 Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.60%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.60%) or one percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Board's proportionate share of the net pension liability	$ 11,370,112	$ 9,008,687	$ 7,014,076

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2019 Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

Included in accrued expense liabilities is $14,964 payable to the System which was remitted subsequent to December 31, 2019.

6. Postemployment Health Care and Life Insurance Benefits

The Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees of the Board become eligible for these benefits if they reach normal retirement age of the applicable retirement system while working for the Board and are covered by an active medical plan immediately prior to retirement.

Plan Description. Employees of the Board may participate in the State of Louisiana's OPEB Plan which is administered by the Office of Group Benefits (OGB). OGB offers several standard healthcare plans for both active and retired employees. OGB provides an agent, multiple-employer defined benefit Other Postemployment Benefit (OPEB) Plan that provides medical, prescription drug, and life insurance benefits to eligible retirees and their eligible beneficiaries. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. Participants are eligible for plan benefits if they retire under one of the state retirement systems and are covered by the active medical plan immediately before retirement. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan.

The OGB does not issue a publicly available financial report of the OPEB Plan; however, the entity is included in the state of Louisiana's Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy. The OPEB plan is currently funded on a "pay-as-you-go" basis through a combination of retiree and Board contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the OPEB Plan and if the member has Medicare coverage.

Employees Covered by Benefit Terms. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	31
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	36
Total	67

Total OPEB Liability

The Board's total OPEB liability of $6,839,014 was measured as of July 01, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the July 01, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.80%
Salary increases	Consistent with the pension valuation assumptions
Prior discount rate	3.13% - Based on the June 30, 2017 S&P 20-year municipal bond index rate
Discount rate	2.98% - Based on the June 29, 2018 S&P 20-year municipal bond index rate
Healthcare cost trend rates	Post-Medicare: 5.5% for 2018 - 2020, thereafter decreasing 0.25% per year through 2024, to an ultimate rate of 4.5% for 2024 and later years. Pre-Medicare: 7% grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029
Retiree's share of benefit-related costs	Expected per capita costs based on medical and prescription drug claims for retired participants for the period January 1, 2017 through December 31, 2018. Claims experience was trended to the valuation date. The last two monnths off claims experience was adjusted for incurred but not reported claims using completion factors based on prior year data. Per capital costs for the fully insured HMO and Medicare Advgantage plans were based on calendar year 2019 premiums adjusted to the valuation date using the trend assumptions above.
Actuarial cost method	Entry Age Normal, level percentage of pay
Estimated Remaining Service Lives	4.5
Basis for Assumptions	The actuarial assumptions used by the four state pension plans covering the same participants were used for the retirement, termination, disability, and salary scale assumptions.

For healthy lives the RP-2014 Combined Healthy Mortality Table, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018. For disabled retiree lives, the RP-2014 Disabled Retiree Mortality Table, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018.

Changes in Total OPEB Liability

Balance at December 31, 2018	$ 7,018,202
Changes for the year	
Service cost	184,264
Interest	221,524
Differences between expected and actual experience	(47,044)
Changes in assumptions	(285,941)
Benefit payments and net transfers	(251,991)
Net changes	(179,188)
Balance at December 31, 2019	$ 6,839,014

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98%) or 1-percentage-point higher (3.98%) than the current discount rate:

	1.0% Decrease (1.98%)	Current Discount Rate (2.98%)	1.0% Increase (3.98%)
Total OPEB Liability	$ 8,061,781	$ 6,839,014	$ 5,872,494

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current healthcare trend rates:

	1.0% Decrease (6.0%)	Current Trend (7.0%)	1.0% Increase (8.0%)
Total OPEB Liability	$ 5,846,987	$ 6,839,014	$ 8,112,328

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

For the year ended December 31, 2019, the Board recognized OPEB expense of $247,544. At December 31, 2019, the 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
Differences between expected and actual experience	$ -	$ 37,243
Changes in assumptions	-	532,093
Board contributions subsequent to measurement date	104,300	-
Total	$ 104,300	$ 569,336

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	$ (158,244)
2021	(158,244)
2022	(158,244)
2023	(94,601)
2024	-
Thereafter	-

The contribution requirements of plan members and the Board are established and amended by R.S. 42:801-883. Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB Plan (before or after January 1, 2002) and employee years of service at retirement. Employees who begin participation or rejoin 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 the employee is based on the following schedule:

Service	Employee Contribution Percentage	Employer Contribution Percentage
Under 10 years	81%	19%
10 -14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

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. The total monthly premium for individual retirees is approximately $1 per thousand dollars of coverage of which the employer pays 50% of the premium.

7. Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

8. Litigation and Claims

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 State General Fund appropriation.

9. Unearned Revenue

Unearned revenue of $3,572,346 as reflected on Statement A, represents payments received from applicants for licenses for periods subsequent to December 31, 2019.

10. Long-term Obligations

The following is a summary of long-term obligation transactions, which consist of compensated absences and OPEB obligations for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Compensated absences payable	$ 288,648	$ 175,301	$ (160,438)	$ 303,511	$ 95,566
Net pension liability	8,282,256	1,697,383	(970,952)	9,008,687	-
OPEB payable	7,018,202	-	(179,188)	6,839,014	-
Total long-term liabilities	$ 15,589,106	$ 1,872,684	$ (1,310,578)	$ 16,151,212	$ 95,566

11. Agency Transactions

In 1991, the Board established the Contractor's Educational Trust Fund (CETF) with an initial transfer of $2.9 million of surplus board funds. CETF was established to promote, encourage, and further the accomplishment of all activities that are or may benefit all persons engaged or interested in the construction vocation and the affording of such persons of effective and practical education, training, and instructions in the art of proper and lawful construction contracting in and for the State of Louisiana and other such activities that have a public purpose. The initial transfer of $2.9 million was used to fund various endowed professorships and chairs at Louisiana's colleges and universities for construction-related education. These funds were partially matched by the Board of Regents.

R.S. 37:2162 requires the Board to remit any fines and penalties collected less attorney's fees, courts costs and processing costs to the CETF upon the completion of the financial audit. Therefore, the fines and the corresponding liability to the Trust are recognized when the fines are collected. In 2019, the Board issued fines of $1,651,877 with receipts for current and previous year's fines of $328,044. CETF is administered by a group of trustees and continues to fund educational programs related to the construction vocation.

The Attorney General of Louisiana, in Attorney General Opinion 01-0264, has concluded that once the fines are remitted to the CETF, all of the Board's title and interest in the fines are transferred to the CETF trustees and the Board's fiduciary capacity over the fines ceases.

In 2013, House Bill 1420 was repealed that enacted R.S. 37:2156(c)(3) which provided that the Board shall include on each license renewal form issued to a contractor an optional election, whereby the contractor may choose to donate additional funds to a specified public university within Louisiana that offers an accredited, degreed program in the field of construction management. Any such donated funds received by the Board shall be remitted to the university chosen by the contractor. Any such donated funds received by the university shall be used solely for the benefit of their construction management programs.

R.S. 37:2156(c)(3) was amended and reenacted by House Bill 421 in the 2013 Regular session; (3)(a) The board shall assess on each license renewal issued to a contractor an additional fee of one hundred dollars per year to be dedicated and allocated as provided in this Paragraph to any public university in this state or any community college school of construction management or construction technology in this state that is accredited by either the American Council for Construction Education or the Accreditation Board for Engineering and Technology. The board shall include on each license renewal form issued to a contractor an optional election whereby the contractor may choose to not participate in the remission of the additional one-hundred-dollar dedication fee. (b) Each January, each accredited public university or community college school of construction management or construction technology shall report to the board the number of graduates from its school of construction management or construction technology from the previous calendar year. (c) Any and all funds collected pursuant to this Paragraph shall be disbursed to the accredited public university or community college schools of construction management or construction technology by August first of each year upon completion of the annual audit of the board. The funds shall be used by the accredited public university or community college schools of construction management or construction technology solely for the benefit of their program and the expenditure of such funds shall be approved by the industry advisory council or board for the program. The funds collected pursuant to this Paragraph shall be in addition to any other monies received by such schools and are intended to supplement and not replace, displace, or supplant any other funds received from the state or from any other source. Any school of construction management or construction technology that experiences a decrease in the funding appropriated to them by the accredited public university or community college as determined by the industry advisory council or board for the program shall be ineligible for participation under the provisions of this Paragraph, and the monies from the fund for such school of construction management or construction technology shall be redistributed on a pro rata basis to all other accredited and eligible schools. (d) The funds collected pursuant to this Subsection shall be distributed as follows: (i) One-half on a pro rata basis to each accredited public university or community college school of construction management or construction technology. (ii) One-half pro rata to each accredited public university school of construction management or construction technology based on the total number of graduates from the previous calendar year from each school as reported to the board. (e) No funds shall be allocated to any public university or community college school of construction management or construction technology that does not maintain current and active accreditation as required by this Paragraph.

At December 31, 2019, included in cash and cash equivalents was $1,069,800 collected on behalf of State Universities. The offsetting liability is included in accounts payable.

12. Refunds Payable

Refunds payable result from overpayments received in the application and renewal of licenses. The Board's policy is to refund these overpayments once the licensing or renewal processes are complete. Refunds payable at December 31, 2019 were $13,930.

13. Lease Commitments

The Board has commitments with non-state entities to lease certain equipment. The lease agreements are for one year and end in May and June 2020. Future minimum rental commitments for equipment operating leases as of December 31, 2019 are as follows:

Years Ending December 31,	
2020	**$ 15,411**

The total rental expense under the operating leases equaled $32,997 at December 31, 2019.

14. Subsequent Event

As a result of the spread of the COVID-19 coronavirus, the Board has closed its office and is operating in a remote capacity. Applications and renewals are being processed but examinations have ceased due to COVID-19. At this point the largest economic impact will be reduction in exams revenue due to COVID-19 restrictions. Other financial impact could occur though such potential impact is unknown at this time.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Statement of Revenues, Expenditures and Changes in Net Position
Budget (Legal Basis) and Actual - Enterprise Fund

Year Ended December 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Nonbudgeted Items and Adjustments		Actual (Budgetary Basis)	Budget to GAAP Differences Favorable (Unfavorable)
Revenues							
Licenses, permits and fees	$ 5,900,000	$ 5,900,000	$ 6,066,991	$ -		$ 6,066,991	$ 166,991
Investment income	5,000	5,000	25,223	-		25,223	20,223
Gain/(loss) on disposal of assets	-	-	(174,916)	174,916	(2)	-	-
Total revenues	5,905,000	5,905,000	5,917,298	174,916		6,092,214	187,214
Expenditures							
Personal services	4,342,300	4,287,300	4,355,312	(148,380)	(1),(3),&(4)	4,206,932	80,368
Travel	193,000	193,000	185,797			185,797	7,203
Operating services	898,700	1,116,700	1,054,466			1,054,466	62,234
Supplies	211,000	290,000	289,108			289,108	892
Professional services	210,000	175,000	157,518			157,518	17,482
Capital outlay	4,520,000	4,520,000	-	2,819,984	(2)	2,819,984	1,700,016
Depreciation	-	-	164,826	(164,826)	(2)	-	-
Total expenditures	10,375,000	10,582,000	6,207,027	2,506,778		8,713,805	1,868,195
Excess of revenue over (under) expenditures and other sources	$ (4,470,000)	$ (4,677,000)	(289,729)	(2,331,862)		(2,621,591)	$ 2,055,409
Total net position							
Beginning			(3,228,066)	8,282,779	(5)	5,054,713	
Ending			$ (3,517,795)	$ 5,950,917		$ 2,433,122	

Explanation of differences:

(1) Compensated absences are budgeted on the modified accrual basis. Under accounting principles generally accepted in the United States of America, these costs are recognized when the benefit is earned of $14,863.

(2) Capital assets are recognized for budget purposes when purchased. Under accounting principles generally accepted in the United States of America, such capital assets are recognized as long-lived assets and depreciation is recognized over the life of the assets, as well as any loss on disposal.

(3) GASB 75 requires recording a reduction in expense for the annual OPEB cost of $851.

(4) GASB 68 requires recording an expense for the annual Pension cost of $134,368.

(5) The amount reported as "Net Position" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund net position due to the cumulative effect of transactions such as those described above.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Changes in Net OPEB Liability and Related Ratios ***Year Ended December 31, 2019***

	2018	2019
Total OPEB Liability		
Service cost	$ 198,457	$ 184,264
Interest	201,278	221,524
Differences between expected and actual experience	-	(47,044)
Changes of assumptions	(483,466)	(285,941)
Benefit payments	(251,991)	(251,991)
Net Change in total OPEB liability	(335,722)	(179,188)
Total OPEB liability - beginning	7,353,924	7,018,202
Total OPEB liability - ending	$ 7,018,202	$ 6,839,014
Covered-employee payroll	2,276,674	2,429,465
Net OPEB liability as a percentage of covered-employee payroll	308.27%	281.50%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended December 31, 2019.

Changes of Assumptions.

Changes of assumptions and other inpuits reflect the changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.13%
2018	2.98%

Baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions, were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited reflecting updated plan premiums.

The percentage of future retirees assumed to elect medical coverage was decreased by 4% to 6%, depending on years of service, based on recent plan experience.

Mortality assumptions for LASERS members were updated using projection scale MP-2018 based on information released by the Society of Actuaries in October 2018.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Employer's Proportionate Share of the Net Pension Liability *Year Ended December 31, 2019*

	Fiscal Year*	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
LASERS:						
	2019	0.1243%	$9,008,687	$2,429,465	370.81%	62.90%
	2018	0.1214%	$8,282,256	$2,276,674	363.79%	62.60%
	2017	0.1249%	$8,790,091	$2,390,523	367.71%	62.50%
	2016	0.1249%	$9,809,722	$2,308,365	424.96%	65.00%
	2015	0.1167%	$7,940,354	$2,234,493	355.35%	65.02%
	2014	0.1202%	$7,514,350	$2,208,470	340.25%	58.64%

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

*The amounts presented have a measurement date of June 30 of the fiscal year end.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Employer's Pension Contributions *Year Ended December 31, 2019*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contracaually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
LASERS:					
2019	$970,952	$970,952	$ -	$2,470,215	39.31%
2018	$891,348	$891,348	$ -	$2,351,843	37.90%
2017	$926,947	$926,947	$ -	$2,445,769	37.90%
2016	$843,849	$843,849	$ -	$2,394,364	35.24%
2015	$841,465	$841,465	$ -	$2,342,660	35.92%
2014	$777,144	$777,144	$ -	$2,250,257	34.54%
2013	$631,262	$631,262	$ -	$2,045,487	30.86%
2012	$478,160	$478,160	$ -	$1,733,211	27.59%
2011	$410,194	$410,194	$ -	$1,712,583	23.95%
2010	$397,747	$397,747	$ -	$1,837,600	21.64%

LASERS

Changes of Benefit Terms

- 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.

Changes in Assumptions

- Effective July 1, 2017, the LASERS Board reduced the inflation assumption from 3.0% to 2.75%. Since the inflation assumption is a component of the salary increase assumption, all salary increase assumptions decreased by .25% in the June 30, 2017 valuation.

- Effective July 1, 2017, 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, 2017, the LASERS Board adopted a plan to gradually reduce the discount rate from 7.75% to 7.50% in .05% annual increments. Therefore, the discount rate was reduced from 7.75% to 7.70% for June 30, 2017 valuation, and to 7.65% for the June 30, 2018 valuation. A 7.65% discount rate was used to determine the projected contribution requirements for fiscal year 2019 and a 7.60% rate was used for fiscal year 2020.

Changes to Covered Payroll

Due to the implementation of GASB Statement No. 82 in fiscal year 2016, prior amounts were restated to reflect payroll on which contributions were based.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members — ***Year Ended December 31, 2019***

	Days	Amount
State Licensing Board for Contractors		
Lloyd Badeaux	10	$ 750
Noah Broussard, Jr.	10	750
Brian Bordelon	9	675
William Clouatre	13	975
Nelson Dupuy, Jr.	13	975
Courtney Fenet, Jr.	10	750
August Gallo, Jr.	10	750
Danny Graham	7	525
Jaclyn Hotard	6	450
Kenneth Jones	11	825
Donald Lambert	11	825
Chester Lee Mallett	11	825
Garland Meredith	12	900
Christopher Stuart	10	750
Joel Rushing	2	150
Byront Talbot	8	600
Elliot Temple	9	675
Bertrand Wilson	3	228
Victor Weston	13	975
Residential Building Contractors Subcommittee		
Lloyd Badeaux	10	750
James Fine	11	825
Jody Guidry	1	75
Robert Hamilton	9	675
Chester Mallett	-	-
Frank Morse, Jr.	11	825
Wesley Wyman, Jr.	8	600
Elliot Temple	10	750
		$ 17,853

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 37:2154 and are included in the expenditures of the General Fund. Board members are paid $75 per day for board meetings and official business.

Schedule 6

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Compensation, Benefits and Other Payments to Agency Head — *Year Ended December 31, 2019*

Agency Head Name: Michael B. McDuff

Purpose		
Salary	$	170,765
Benefits-insurance		11,717
Benefits-retirement		67,506
Deferred compensation		12,500
Cell phone		900
Dues		475
Reimbursements		1,014
Travel		1,588
Registration fees		495
Conference travel		1,952
	$	268,912

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

INDEPENDENT AUDITOR'S 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*

Governor's Office
Louisiana State Licensing Board for Contractors
State of Louisiana

We have audited, 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, the financial statements of the Louisiana State Licensing Board for Contractors, a component unit of the State of Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Louisiana State Licensing Board for Contractors' basic financial statements, and have issued our report thereon dated June 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana State Licensing Board for Contractors' internal control over financial reporting (internal control) to determine the 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 Louisiana State Licensing Board for Contractors' internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Licensing Board for Contractor'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.

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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 Louisiana State Licensing Board for Contractors' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. Accordingly, this communication is not suitable for any other purpose.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 8, 2020
Baton Rouge, Louisiana

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS, GOVERNOR'S OFFICE, STATE OF LOUISIANA

Schedule of Compliance Findings and Recommendations ***December 31, 2019***

Internal control over financial reporting.
No matters were reported.

Noncompliance or other matters material to the financial statements.
No matters were reported.

Management letter.
No Management letter issued.

INDEPENDENT ACCOUNTANT'S REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

Louisiana State Licensing Board for Contractors

September 30, 2019

Provost Salter Harper & Alford LLC

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Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board and Management of Louisiana State Licensing Board for Contractors and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana State Licensing Board for Contractors and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are summarized in the following Summary of Findings and Explanations.

We were not engaged to perform, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Louisiana State Licensing Board for Contractors and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper + Alford, LLC

Baton Rouge, LA
June 8, 2020

Written Policies and Procedures

Procedure 1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

c) ***Disbursements***, including processing, reviewing, and approving.

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings:

No exceptions noted.

Ethics

Procedure 20: Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Findings:

No exceptions noted.

b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings:

No exceptions noted.