

RELAY ADMINISTRATION BOARD
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Relay Administration Board
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Relay Administration Board, 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 Relay Administration Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 respective financial position of the business-type activities of the Relay Administration Board as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
Relay Administration Board
Baton Rouge, Louisiana

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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 Relay Administration Board's basic financial statements. The schedule of compensation, benefits, and other payments to the agency head on page 18, 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 the agency head is the responsibility of management and was derived from and relate 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, based on our audit and the procedures performed as described above, the schedule of compensation, benefits, and other payments to the agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2021, on our consideration of the Relay Administration Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 Relay Administration Board's internal control over financial reporting and compliance.

New Orleans, Louisiana
July 19, 2021

Ericksen Krentel, LLP
Certified Public Accountants

Management's Discussion and Analysis

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Introduction

The Management's Discussion and Analysis ("MD&A") of the Relay Administration Board's ("RAB") financial performance presents a narrative overview and analysis of RAB'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 the prior year's information. As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the supplementary information that is provided in addition to the MD&A.

Financial Highlights

- RAB's assets exceeded its liabilities (net position) at the close of fiscal year 2019 by \$28,616,085 which represents a 14% increase in net position from last fiscal year.
- Total assets, consisting almost entirely of investments, increased by 14% to \$28,808,834.
- At December 31, 2019, the investment portfolio was comprised of U.S. Government and Agency bonds (28%), corporate bonds (18%), equity securities (44%), money market funds (4%), and mutual funds (6%). At December 31, 2018, the investment portfolio was comprised of U.S. Government and Agency bonds (32%), corporate bonds (17%), equity securities (41%), money market funds (4%), and mutual funds (6%).
- RAB's net position increased by \$3,431,704 in 2019 compared to the 2018 decrease in net position of \$1,332,336.
- RAB received no operating revenues during 2019 or 2018 due to the elimination of access charges previously charged to consumers and no grants funding.
- RAB's net investment income increased in 2019 due to the performance of the overall financial markets which primarily attributed to increased values of equity securities held by RAB.
- RAB's relay service expense decreased compared to the prior year.

Overview of the Financial Statements

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for RAB, 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 Fund Net Position; and the Statement of Cash Flows.

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Overview of the Financial Statements (continued)

Statement of Net Position

The Statement of Net Position on page 7 presents a summary of assets and liabilities with totals of each. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of RAB is improving or deteriorating.

Statement of Revenue, Expenses, and Changes in Fund Net Position

The Statement of Revenues, Expenses, and Changes in Net Position on page 8 presents information which shows how RAB's net position 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, there are transactions included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows on page 9 presents information showing how RAB's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by Governmental Accounting Standards Board ("GASB") Statement 34.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10-17 of this report.

Financial Analysis of the Entity

The condensed statements of net position consist of the following at December 31:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>% Variance</u>
ASSETS				
Current assets	\$ 16,264,170	\$ 14,200,519	\$ 2,063,651	14.53%
Noncurrent assets	<u>12,544,664</u>	<u>11,127,605</u>	<u>1,417,059</u>	12.73%
	<u>\$ 28,808,834</u>	<u>\$ 25,328,124</u>	<u>\$ 3,480,710</u>	13.74%
LIABILITIES and NET POSITION				
Liabilities				
Current liabilities	\$ 192,749	\$ 143,743	\$ 49,006	34.09%
Noncurrent liabilities	-	-	-	0.00%
	<u>\$ 192,749</u>	<u>\$ 143,743</u>	<u>\$ 49,006</u>	34.09%
Net Position				
Unrestricted	<u>28,616,085</u>	<u>25,184,381</u>	<u>3,431,704</u>	13.63%
	<u>\$ 28,808,834</u>	<u>\$ 25,328,124</u>	<u>\$ 3,480,710</u>	13.74%

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Financial Analysis of the Entity (continued)

Current assets consist primarily of cash and investments in debt and equity securities. Noncurrent assets consist of investments in debt securities with a maturity date greater than one year. The decrease in assets resulted primarily from a decrease in the fair value of investments and a change in composition of the investment portfolio, specifically the lower ratio of equity securities to other types of securities.

All of the RAB's resources can be used for any lawful purpose consistent with the articles of incorporation which requires that funds be used for providing telecommunication relay services to the citizens of the State of Louisiana. RAB has no long-term debt obligations. Investment securities are available for liquidity as needed but are intended to also provide a return on assets that can be used to provide relay services to the hearing and speech impaired.

The condensed statements of revenues, expenses, and changes in fund net position consist of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>% Variance</u>
Operating revenues	\$ -	\$ -	-	-
Operating expenses	<u>394,044</u>	<u>431,973</u>	<u>(37,929)</u>	-8.78%
Operating loss	<u>(394,044)</u>	<u>(431,973)</u>	<u>37,929</u>	-8.78%
Nonoperating revenues	3,997,847	6,314	3,991,533	63217.18%
Nonoperating expenses	<u>172,099</u>	<u>906,677</u>	<u>(734,578)</u>	-81.02%
	<u>3,825,748</u>	<u>(900,363)</u>	<u>3,256,955</u>	
Change in net position	3,431,704	(1,332,336)	3,294,884	-357.57%
Net position, beginning of year	<u>25,184,381</u>	<u>26,516,717</u>	<u>(1,332,336)</u>	-5.02%
Net position, end of year	\$ <u>28,616,085</u>	\$ <u>25,184,381</u>	\$ <u>3,431,704</u>	13.63%

RAB recognized no operating revenues during 2019 and 2018. The Louisiana Public Service Commission indefinitely suspended the 11¢ per line access fee charged to consumers effective in April 2002. Non-operating revenues increased in 2019 by \$3,991,533 due primarily to an increase in unrealized appreciation on equity security holdings arising during 2019 as compared to 2018.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay service provider. Total 2019 operating expenses decreased from 2018 due to the decrease in providing relay services. For 2019, non-operating expenses consist of federal excise taxes. RAB's investment income is subject to an excise tax at a rate expected to be 2% of net investment income.

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Economic Factors and Next Year's Operations and Rates

As portrayed on page 7 of the financial statements, RAB has accumulated net position since its inception in 1992 which has been accumulated for the purpose of provisioning of telephone access services for an extended period. In April 2002, the Louisiana Public Service Commission eliminated the telephone access fee that has been charged to all connections throughout Louisiana and used to fund RAB's operations and net position. Thus, for 2018, RAB has no telephone access fee revenue. RAB has received no state grants or funding since 2002 and does not expect to receive state funding anytime in the near future.

RAB continues to monitor its investment portfolio and associated credit and investment risk associated with the types of securities. Since year end, overall financial markets have continued to be volatile and subject to government influences. If overall economic conditions and financial markets remain disrupted for an extended period of time, RAB's ability to meet these objectives may become doubtful.

Contacting the Relay Administration Board's Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Relay Administration Board's finances and to show RAB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Financial Statements

RELAY ADMINISTRATION BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,032,876
Investments	15,138,586
Accrued investment income	<u>92,708</u>
	16,264,170

Noncurrent Assets:

Investments	<u>12,544,664</u>
	\$ <u><u>28,808,834</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 75,972
Federal excise tax payable	20,608
Deferred federal excise taxes	<u>96,169</u>
	192,749

Net Position:

Unrestricted	<u>28,616,085</u>
	\$ <u><u>28,808,834</u></u>

See accompanying notes to financial statements.

RELAY ADMINISTRATION BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Revenues	\$	-
Operating Expenses:		
Relay service costs		352,759
Legal and professional		34,471
Other operating costs		6,814
		<u>394,044</u>
Operating loss		<u>(394,044)</u>
Non-Operating Revenues (Expenses):		
Investment income		3,997,847
Federal excise tax benefit		(172,099)
		<u>3,825,748</u>
Change in net position		3,431,704
Net position, beginning of year		<u>25,184,381</u>
Net position, end of year	\$	<u><u>28,616,085</u></u>

See accompanying notes to financial statements.

RELAY ADMINISTRATION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Cash payments to suppliers of goods and services:	
Relay service costs	\$ (356,658)
Legal and professional fees	(25,930)
Other operating costs	<u>(6,390)</u>
Net cash used in operating activities	<u>(388,978)</u>
Cash Flows from Investing Activities:	
Purchases of investments	(12,512,465)
Sales and maturities of investments	12,528,176
Investment income received	585,818
Federal excise taxes paid	<u>(128,356)</u>
Net cash provided by financing activities	<u>473,173</u>
Increase in cash and cash equivalents	84,195
Cash and cash equivalents, beginning of year	<u>948,681</u>
Cash and cash equivalents, end of year	<u>\$ 1,032,876</u>
Reconciliation of Operating Loss to	
Cash Flows Used In Operating Activities	
Operating loss	\$ (394,044)
Adjustments to reconcile operating loss to net	
cash used in operating activities:	
Change in:	
Accounts payable	<u>5,066</u>
Net cash used in operating activities	<u>\$ (388,978)</u>
Supplemental Disclosure of Noncash Investing Activities	
Net increase in investment unrealized appreciation	\$ 3,127,665
Increase in deferred federal excise taxes	<u>62,553</u>
	<u>\$ 3,190,218</u>

See accompanying notes to financial statements.

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Nature of Operations

The Relay Administration Board ("RAB") was created as a nonprofit corporation by the Louisiana Public Service Commission, a body created by the Louisiana Constitution, as provided by Order Number U-17656-A pursuant to the telecommunications sections of the Americans with Disabilities Act of 1990 and other applicable regulations adopted by the Federal Communications Commission.

The board of directors is comprised of five members who serve indefinite terms at the discretion of the Louisiana Public Service Commission. The board of directors is charged with the responsibility of oversight of telephone relay services for the State of Louisiana, ensuring equal access to telecommunications services for all hearing and speech impaired citizens, and acting as a liaison between the relay service provider and the Louisiana Public Service Commission.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and reporting principles.

Reporting Entity

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the State of Louisiana. The Office of Statewide Reporting and Accounting Policy considers RAB to be a discrete component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) a majority of the board of directors is appointed by the State of Louisiana; (2) upon dissolution of RAB, title to all property owned by RAB shall vest in the State of Louisiana; (3) the Louisiana Public Service Commission, a commission within a department of the State of Louisiana, has the ability to modify and approve changes to the telephone access fee; and (4) the Louisiana Public Service Commission has the ability to veto, overrule, and modify decisions made by RAB.

Since RAB is a discretely presented component unit of the State of Louisiana, these financial statements follow the financial reporting framework of the primary government. The accompanying financial statements present information only as to the transactions of the programs of RAB. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements as a business-type activity. The State of Louisiana's basic financial statements are audited by the Louisiana Legislative Auditor.

Fund Accounting

For financial reporting purposes, RAB is treated as a special-purpose government engaged only in business-type activities. All activities of RAB are accounted for within a single proprietary (enterprise) fund to report on its financial position, results of operation, and cash flows. 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.

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (continued)

Net Position

RAB has implemented GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

At December 31, 2019, all of RAB's net position was unrestricted. Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position. When both restricted and unrestricted resources are available for use, it is the RAB's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of RAB are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred. Operating revenues include activities that have the characteristics of exchange transactions, such as charges for services. Transactions for which cash flows are reported as investing activities are reported as non-operating revenue. All expenses related to operating RAB are reported as operating expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes money market accounts and all highly liquid debt instruments with original maturities of three months or less when purchased.

Investments

The deposits and investments of RAB's monies are governed by an investment policy adopted by the board of directors. Under the policy, monies not needed for immediate expenditure may be invested in (1) U. S. Government and Agency obligations, (2) certificates of deposit issued by financial institutions within the U. S. and its territories up to the maximum FDIC limit, (3) certain collateralized mortgage obligations, and (4) equity securities subject to limitations.

RAB reports its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values as determined by published trade prices in accordance with GASB Statement No. 31 and are included in the statement of net position. Investment return includes interest, dividends, realized and unrealized gains and losses, investment fees, and net amortization/accretion of investments in fixed securities and is included in the statement of revenues, expenses, and changes in fund net position.

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

Investments in equity securities, mutual funds, and debt securities with a maturity date of less than one year are classified as current assets. Noncurrent assets consist of investments in debt securities with a maturity date greater than one year.

Adoption of New Accounting Standards

The GASB has issued Statement No. 83, "Certain Asset Retirement Obligations." The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires (1) that recognition occur when the liability is both incurred and reasonably estimable; (2) the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; (3) the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; (4) a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays; and (5) disclosure of information concerning the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

The GASB has issued Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

The GASB has issued Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Summary of Significant Accounting Policies (continued)

The GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

The GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

The GASB has issued Statement No. 90, "Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61." The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, as extended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

RAB does not anticipate any of the above Statements having a material impact on its financial statements.

Tax Status

RAB is an organization exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code (the "Code") and is a private foundation as described in Section 509 (a) of the Code. RAB is subject to federal excise taxes and it is also subject to federal and state income tax on its unrelated business taxable income. With few exceptions, RAB is no longer subject to federal or state examinations by tax authorities for the year before 2016.

RAB evaluates uncertain tax positions for more-likely-than-not sustainability. Management has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

2. Use of Estimates

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

RELAY ADMINISTRATION BOARD
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. Deposits

For reporting purposes, money market funds are included as deposits. Deposits in money market funds are stated at cost, which approximates fair value. The balance of RAB's money market fund at December 31, 2019 was \$1,032,876. RAB's deposits in these open-end mutual funds are not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

4. Investments

Beginning with the fiscal year ended December 31, 2016, the Board is required by Governmental Accounting Standards Board (“GASB”) 72, Fair Value Measurement and Application, to begin categorizing its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described below:

Level 1 - unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 - inputs are unobservable and significant to the fair value measurement.

The implementation of this new statement did not change the method of measuring the Board's investments at estimated fair value as required by GASB 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, and consisted of the following at December 31, 2019:

<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Value</u>
Equity securities & equity mutual funds	\$ 14,385,533	\$ -	\$ 14,385,533
U.S. Treasury debt securities	7,063,475	-	7,063,475
U.S. Government Agency debt securities	-	1,075,630	1,075,630
Corporate debt securities	-	5,158,612	5,158,612
	<u>\$ 21,449,008</u>	<u>\$ 6,234,242</u>	<u>\$ 27,683,250</u>

Investments in U.S. Government obligations, U.S Government Agency obligations, corporate bonds, equity securities and mutual funds, are valued at the quoted market prices in the active market on which the individual securities are traded.

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. Investments (continued)

At December 31, 2019, investment securities of \$27,683,250 and investments reported as cash and cash equivalents of \$1,032,876, as presented in the Statement of Net Position, consist of the items in the following table:

Description	Cost	Fair Value	% of Total	Service Credit Quality	Weighted Average Maturity
Bank of America Corp 3.559% 04/23/2027	\$ 275,468	290,689	1.01%	A2	0.16
Bank of NY Mellon Corp 2.95% 01/29/2023	224,777	231,077	0.80%	A1	0.05
Booking Holdings Inc 3.65% 03/15/2025	310,079	320,328	1.12%	A3	0.13
Charles Schwab Corp 3% 03/10/2025	299,291	311,502	1.08%	A2	0.12
Comcast Corp 2.75% 03/01/2023	151,340	153,251	0.53%	A3	0.04
Johnson & Johnson 2.45% 03/01/2026	267,016	279,285	0.97%	AAA	0.13
JP Morgan Chase & Co 3.96% 01/29/2027	325,405	325,599	1.13%	A2	0.17
McDonald's Corp 3.7% 01/30/2026	294,758	296,736	1.03%	BAA1	0.14
NBC Universal Media LLC 2.875% 01/15/2023	247,279	256,930	0.89%	A3	0.06
PNC Bank 2.7% 11/01/2022	400,124	407,683	1.42%	A3	0.09
Texas Instruments Inc 2.75% 03/12/2021	402,899	404,120	1.41%	A1	0.04
US Bancorp 3.375% 02/05/2024	250,143	262,530	0.91%	A1	0.08
Verizon Communications 3.5% 11/01/2024	256,383	265,118	0.92%	BAA1	0.10
VISA Inc. 2.8% 12/14/2022	401,223	411,627	1.43%	AA3	0.09
Walmart Inc 2.65% 12/15/2024	298,871	309,807	1.08%	AA2	0.12
Waste Management Inc 3.125% 03/01/2025	300,546	313,500	1.09%	BAA1	0.12
Wells Fargo & Co 3.55% 09/29/2025	294,783	317,673	1.11%	A2	0.14
WF-RBS Comm Mtg Trust Series 2013	2,399	1,157	0.00%	AAA	0.00
US Government Agency	1,064,485	1,075,630	3.75%	*	1.66
US Government	6,945,656	7,063,475	24.61%	*	2.46
Debt security totals	<u>13,012,925</u>	<u>13,297,717</u>	<u>46.29%</u>		
Equity securities	8,218,042	12,544,774	43.70%	*	
Equity mutual funds	1,644,363	1,840,759	6.41%	*	
Total investments	<u>22,875,330</u>	<u>27,683,250</u>	<u>96.40%</u>		
Money market funds	1,032,876	1,032,876	3.60%	AAA	
Total investments and cash equivalents	<u>23,908,206</u>	<u>28,716,126</u>	<u>100.00%</u>		

* Credit quality ratings are not required for equity securities, mutual funds, U.S. govt. and govt agency securities.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, RAB will not be able to recover the value of its investments that are in the possession of an outside party. RAB does not have an investment policy for custodial credit risk. At December 31, 2019, RAB's investments in

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. Investments (continued)

Custodial Credit Risk (continued)

equity securities, equity mutual funds, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's trust department, but not in RAB's name.

Concentration of Credit Risk

RAB has adopted an investment policy which limits the percentage of total investments that can be invested in various categories and types of investments. Investments in equity securities are permitted to represent between 25% and 60% of the investment portfolio while fixed income securities are permitted to represent between 40% and 70% of the investment portfolio. Cash is allowed to represent between 0% and 10% of the total portfolio. RAB has also adopted a policy that limits its investments in equity securities to a maximum of 5% of its total investments in any one company unless said company comprises more than 5% of the Standard & Poor's 500 Stock Index, in which case the market value of the holding shall not exceed 10% of the equity portfolio. There are also limitations on concentrations in categories of equity investment types. In addition, RAB has set a limit of 5% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government. At December 31, 2019, RAB was in compliance with its concentration of credit risk policy.

Credit Risk

RAB has adopted a policy that limits its investments of any single fixed income security to a minimum quality rating of "BBB-" by Standard and Poor's (S&P) and "Baa3" by Moody's Investors Service (Moody's) at the time of purchase, with the exception of mortgage backed securities which be rated AAA or better. Additionally, the average quality rating of the fixed income portfolio shall be "A" for S&P and "A2" for Moody's. Bonds rated "BBB" by S&P and "Baa" by Moody's shall not exceed 10% of the total market value of the fixed income portfolio. If the rating of any fixed income security should fall below either of these credit quality rating levels, the investment manager must notify RAB to seek instructions regarding the remediation of the portfolio. At December 31, 2019, RAB was in compliance with its credit quality policy.

Interest Rate Risk

For an investment, interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments held for longer periods are generally subject to increased risk of value fluctuations due to interest rate changes. RAB's policy is to measure and monitor the weighted average maturity and duration of the fixed income securities portfolio in order to manage exposure to interest rate risk. This includes the weighted average maturity and duration of the total fixed income portfolio, individual securities, as well as categories of securities held by RAB.

Investment Return

The schedule on the following page summarizes investment return as presented in the Statement of Revenues, Expenses and Changes in Fund Net Position for the year ended December 31, 2019:

RELAY ADMINISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. Investments (continued)

Investment Return (continued)

Interest and dividend income	\$ 651,742
Net realized gains on sale of investments	285,935
Net unrealized depreciation on investments	<u>3,127,665</u>
	4,065,342
Less: investment fees	<u>(67,495)</u>
	<u>\$ 3,997,847</u>

The net realized gain on sale of investments disclosed above is independent of the calculation of the net unrealized depreciation on investments disclosed above. The net realized gain on investments that had been held in more than one fiscal period and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

5. Excise Tax Requirements

RAB is exempt from federal income taxation under Section 501 (c) (3) of the Code, but is subject up to a 2% (1% if certain criteria are met) federal excise tax on net investment income (including interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income) as defined in the Code. RAB continually evaluates the enacted and expected excise tax rates expected to be incurred based on investment performances and expectations. RAB estimates excise taxes at a rate of 2%. At December 31, 2019, Federal excise taxes payable of \$20,608 have been recorded as a current liability. The federal excise taxes generated by these investments reflect the amount actually self-assessed and reported to the IRS. At December 31, 2019, RAB has also recognized a deferred tax liability of \$96,169 representing the estimated excise taxes related to the net appreciation of the fair value of investment securities in excess of their income tax basis. These deferred tax would become payable upon transactions to realize these gains.

6. Funding Sources

The Louisiana Public Service Commission issued Order No. U-17656-B directing local exchange carriers to collect an access fee of eleven cent (\$0.11) per access line and remit those funds to RAB to fund telephone relay services of the State of Louisiana. Effective April 2002, the Louisiana Public Service Commission eliminated the collection of the access line fee. As a result, RAB's operations are now being funded from existing assets and investment earnings.

7. Board Member Compensation

Although compensation to board members is authorized by RAB's by-laws, no compensation was paid to board members during 2019.

8. Risk Management

RAB is exposed to risk of loss related to errors and omissions of the Board of Directors. Commercial insurance has been obtained to cover these risks.

Supplementary Information

RELAY ADMINISTRATION BOARD
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Not applicable.

Other Reporting Required by Governmental Auditing Standards



Independent Auditors' 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

To the Board of Directors
Relay Administration Board
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Relay Administration Board, 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 Relay Administration Board's basic financial statements and have issued our report thereon dated July 19, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Relay Administration Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the 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*.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors
Relay Administration Board
Baton Rouge, Louisiana

Purpose of this Report

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

New Orleans, Louisiana
July 19, 2021

Erickson Krentel, LLP
Certified Public Accountants

RELAY ADMINISTRATION BOARD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

A. Summary of Auditors' Results

a. Financial Statements

Type of auditors' report issued: Unmodified

b. Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified not
considered to be material weaknesses: No

c. Noncompliance material to financial

statements noted: No

d. Management letter issued

No

B. Findings in Accordance with *Government Auditing Standards*

None noted.

RELAY ADMINISTRATION BOARD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Findings in Accordance with *Government Auditing Standards*

Compliance with Louisiana State Statutes and Laws:

2018-001 Deposits and investments did not comply with Louisiana State law

Condition:

At December 31, 2018, RAB had investments consisting of \$948,681 in a money market fund, \$6,201,199 in U.S. Treasury notes, \$1,751,156 in U.S. government agency securities, \$4,377,959 in corporate debt securities, \$10,417,206 in equity securities, and \$1,549,766 in equity mutual funds.

Recommendation:

The predecessor auditor recommended RAB to identify all applicable state laws and regulations to develop policies and procedures to ensure compliance with those laws and regulations. Funds in the control of RAB should be invested in accordance with Louisiana Revised Statute 49:327(C) (l) (a).

Current Status: This finding was resolved in the current year as RAB is not subject to Louisiana Revised Statute 49:327(C) (l) (a).

2018-002 Funds were not deposited into the state treasury

Condition:

RAB did not deposit its funds into the state treasury, as required by the Louisiana Constitution and Revised Statutes.

Recommendation:

The predecessor auditor recommended RAB to identify all applicable state laws and regulations to develop policies and procedures to ensure compliance with those laws and regulations. RAB should remit all funds collected to the state treasury for deposit.

Current Status: This finding was resolved in the current year as RAB is not subject to the cited statutes.

2018-003 Funds were expensed without proper appropriation

Condition:

RAB did not expend funds in accordance with an annual appropriation by the legislature.

Recommendation:

The predecessor auditor recommended RAB to identify all applicable state laws and regulations to develop policies and procedures to ensure compliance with those laws and regulations. No funds should be expended except in the amounts appropriated each year by the legislature.

Current Status: This finding was resolved in the current year as funds can only be used for purposes directly related to telecommunications relay services.