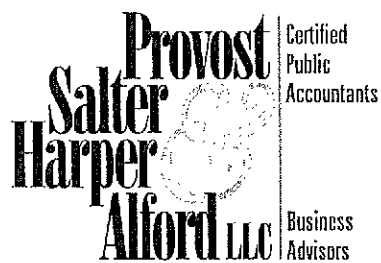


**LOUISIANA STATE LICENSING  
BOARD FOR CONTRACTORS  
GOVERNOR'S OFFICE  
STATE OF LOUISIANA**

**FINANCIAL REPORT**

**December 31, 2020**



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

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*December 31, 2020*

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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, 2020, 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, 2020, 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 May 7, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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



May 7, 2021  
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, 2020. 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 increased by \$545,633 or 15.5%.

The operating revenues of the Board increased \$104,316 or 1.7%.

The non-operating revenues of the Board decreased \$21,920 or 86.9%.

The operating expenses of the Board decreased \$578,050 or 9.3%.

***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 Changes in Net OPEB Liability and Related Ratios, 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, 2020	Prior Year as of and for the year ended December 31, 2019
Current assets	\$ 8,399,224	\$ 7,611,021
Capital assets	9,577,459	9,780,788
 Total assets	 17,976,683	 17,391,809
 Deferred outflows	 2,057,856	 1,078,379
Current liabilities	5,540,749	5,344,283
Noncurrent liabilities	15,953,248	16,055,646
 Total liabilities	 21,493,997	 21,399,929
 Deferred inflows	 1,512,704	 588,055
Net investment in capital assets	9,577,459	9,780,788
Unrestricted	(12,549,621)	(13,298,583)
 Total net position (deficit)	 \$ (2,972,162)	 \$ (3,517,795)
 Operating revenues	 \$ 6,171,307	 \$ 6,066,991
Operating expenses	5,628,977	6,207,027
Operating income (loss)	542,330	(140,036)
Non-operating revenues	3,303	25,223
Non-operating expenses	-	(174,916)
 Change in net position	 \$ 545,633	 \$ (289,729)



**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

***CAPITAL ASSETS AND DEBTS***

**Capital Assets**

The Board's investment in capital assets as of December 31, 2020, amounts to \$9,577,459 (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 decrease in the Board's investment in capital assets for the current fiscal year was 2.1%.

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

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 2,258,450	\$ 2,258,450
Buildings and operating facilities	7,292,678	7,482,509
Office, furniture and equipment	26,331	39,829
	<u>\$ 9,577,459</u>	<u>\$ 9,780,788</u>

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.

For the year ended December 31, 2020, actual revenue was 102.6% of budgeted amounts.

For the year ended December 31, 2020, total expenditures were 92.6% of budgeted amounts.

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

**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.

For the first 8 months of the 2019-2020 fiscal year, the State's economy was poised for continued economic growth, until the COVID-19 pandemic caused the State's economy to take a drastic turn. The COVID-19 pandemic struck creating tremendous uncertainty and widespread economic disruptions for the global and Louisiana economy. Actions taken to stop the spread of the virus have led to business closures in many industries and record numbers of individuals filing for unemployment. Louisiana nonfarm employment fell a stunning 273,200 jobs, a decline of 13.7%. The leisure/hospitality sector—which includes Louisiana's large casino industry, hotels, movie theaters and restaurants—suffered mightily, dropping 108,900 jobs or nearly half its workforce. Retail trade earned the dubious second place, losing 13.2% of its jobs, followed by the “other services” sector (barber shops, beauty shops, nail salons, repair services, churches) at -12.7%. Counterintuitively, the healthcare sector was high on the list of losers (- 30,800 jobs or -11.4%) as clinics closed and elective surgeries were postponed. Interestingly, the mining sector was just 1.1% down, as the price drop had not fully translated into employment reductions.

Louisiana has suffered through six recessions in the last four decades. The State is projected to rebound from the sixth and should recover 72,600 jobs in 2021 (+3.9%) and another 21,500 jobs in 2022 (+1.1%). Despite these additions, by 2022 Louisiana will still be 11,300 jobs below its pre-COVID-19 level in 2019.

**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 unknown outlook in the economy due to the pandemic, we expect a change in the revenue budget next year-decreasing 2.8 % below last year. The proposed budget reflects decreases from the 2020 actual revenues to adapt to our ever-changing economy.

Expenditures in salaries have increased 2.1% due to market adjustment pay increases. A continuing pressure on our budget is the cost of benefits, including healthcare and retirement for employees and retirees. The 2021 contribution costs of related benefits primarily associated with group health insurance and retirement will remain relatively consistent with 2020 costs. Reductions were made to some of expenditures, such as, printing, and exam program. In response to the current pandemic, the LSLBC may also incur additional expenditures in an effort to work diligently in protecting the public and staff during the public health crisis by implementing CDC guidelines as set forth by the governor.

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 conditions and outlook section of this letter is from The Louisiana Economic Outlook: 2021 and 2022, by Loren C. Scott, Greg Upton, and Judy S. Collins; published in September, 2020.

**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.

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

Statement A

Statement of Net Position

December 31, 2020

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 7,767,678
Investments	512,215
Other current assets	<u>119,331</u>
Total current assets	<u>8,399,224</u>

**Noncurrent Assets**

Property and equipment, net of accumulated depreciation of \$730,711	<u>9,577,459</u>
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<b>Total Assets</b>	<u>17,976,683</u>
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**Deferred Outflows of Resources**

2,057,856

**LIABILITIES**

**Current Liabilities**

Accounts payable	1,525,170
Refunds payable	9,957
Due to Contractor's Educational Trust Fund	326,684
Unearned revenues	3,576,046
Current portion of long-term liabilities:	
Compensated absences payable	<u>102,892</u>

Total current liabilities	<u>5,540,749</u>
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**Noncurrent Liabilities**

Noncurrent compensated absences	233,732
Other postemployment benefits	5,941,353
Net pension liability	<u>9,778,163</u>

Total noncurrent liabilities	<u>15,953,248</u>
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<b>Total Liabilities</b>	<u>21,493,997</u>
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**Deferred Inflows of Resources**

1,512,704

<b>Total Liabilities and deferred inflow of resources</b>	<u>23,006,701</u>
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**NET POSITION (DEFICIT)**

Net investment in capital assets	9,577,459
Unrestricted	<u>(12,549,621)</u>

<b>Total net position (deficit)</b>	<u>\$ (2,972,162)</u>
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**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, 2020*

<b>Operating Revenues</b>	
Licenses, permits and fees	\$ 6,171,307
<b>Operating Expenses</b>	
Personal services	4,180,335
Enforcement mileage reimbursement	83,407
Travel	31,219
Operating services	814,830
Supplies	181,160
Professional services	134,697
Depreciation	203,329
Total operating expenses	<u>5,628,977</u>
<b>Operating Income/(Loss)</b>	<u>542,330</u>
<b>Non-Operating Revenues and (Expenses)</b>	
Investment income	<u>3,303</u>
Total non-operating revenues and (expenses)	<u>3,303</u>
<b>Change in Net Position</b>	545,633
<b>Total Net Position, Beginning</b>	<u>(3,517,795)</u>
<b>Total Net Position, Ending</b>	<u>\$ (2,972,162)</u>

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

Statement C

Statement of Cash Flows

Year Ended December 31, 2020

**Cash Flows From Operating Activities:**

Cash received from licensees and applicants	\$ 6,171,034
Cash received on behalf of others	326,684
Cash paid for agency liabilities	(328,044)
Cash paid to employees for services	(4,330,235)
Cash paid to suppliers for goods and services	<u>(1,107,664)</u>

**Net Cash Provided By (Used In) Operating Activities** 731,775

**Cash Flows From Investing Activities**

Maturities/redemption of investments	(3,303)
Interest received on investments	<u>3,303</u>

**Net Cash Provided By (Used In) Investing Activities** -

**Net Increase (Decrease) In Cash And Cash Equivalents** 731,775

**Cash and Cash Equivalents**

Beginning of year	<u>7,035,903</u>
End of year	<u>\$ 7,767,678</u>

**Reconciliation of Operating Income to Net Cash Provided  
By Operating Activities:**

Operating income (loss)	\$ 542,330
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	203,329
(Increase) decrease in assets:	
Other current assets	(53,124)
Increase (decrease) in liabilities:	
Compensated absences payable	25,787
Refunds payable	(3,973)
Accounts payable	198,099
Unearned revenue	3,700
Due to Contractor's Educational Trust Fund	(1,360)
Pension expense	<u>(183,013)</u>

**Net Cash Provided By (Used In) Operating Activities** \$ 731,775

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

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*Notes to the Financial Statements*

*December 31, 2020*

## 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.) 37:2151. The Board is statutorily composed of 19 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 Dccember 31, 2020, there were approximately 25,278 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.

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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

**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.



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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

**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, 2020, was adopted by the Board on December 19, 2019, 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, 2020, the Board has \$7,744,676 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$7,644,570 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.

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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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, 2020 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

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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

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 May 7, 2021, which is the date the financial statements were available to be issued.

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*Notes to Financial Statements, Continued*

*December 31, 2020*

**2. Deficit Net Position**

The single proprietary (enterprise) fund had a deficit in unrestricted net position at December 31, 2020 of (\$2,972,162). 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, 2020, the Board has deposits totaling \$7,767,678 (book balances) as follows:

Petty cash	\$ 400
Demand deposits	<u>7,767,278</u>
Total	<u>\$ 7,767,678</u>

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 Licensing Board only has investments in LAMP.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 88 days as of December 31, 2020.
- Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

**4. Capital Assets**

A summary of changes in property and equipment for the year ended December 31, 2020 is as follows:

	Beginning of Year	Additions	Reductions	End of Year
Land and improvements	\$ 2,258,450	\$ -	\$ -	\$ 2,258,450
Buildings and operating facilities	7,593,243	-	-	7,593,243
Office, furniture and equipment	410,921	-	-	410,921
Vehicles	45,556	-	-	45,556
	<u>10,308,170</u>	-	-	<u>10,308,170</u>
Less accumulated depreciation	527,382	203,329	-	730,711
	<u>\$ 9,780,788</u>	<u>\$ (203,329)</u>	<u>\$ -</u>	<u>\$ 9,577,459</u>

**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 (L.A. 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](http://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.

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

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*Notes to Financial Statements, Continued*

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### **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

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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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



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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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 30<sup>th</sup> 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

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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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.

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

*Notes to Financial Statements, Continued*

*December 31, 2020*

## 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, 2020 are as follows:

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
<b>January 1 - June 30, 2020</b>			
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%
<b>July 1 - December 31, 2020</b>			
Regular Employees hired before 7/1/2006	Closed	7.5%	40.1%
Regular Employees hired on or after 7/1/2006	Closed	8.0%	40.1%
Regular Employees hired after 1/1/2011	Closed	8.0%	40.1%
Regular Employees hired on or after 7/1/15	Open	8.0%	40.1%

The Board's contractually required composite contribution rates for the year ended December 31, 2020 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 \$1,004,269 for the year ended December 31, 2020.

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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

At December 31, 2020, the Employer reported a liability of \$9,778,163 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 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, 2020, the Board's proportion was .11823%, which was a decrease of .00612% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Board recognized pension expense of \$1,259,874 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions (\$265,414).

At December 31, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (93,906)
Changes of assumptions	31,287	-
Net difference between projected and actual earnings on pension plan investments	1,429,380	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	(170,750)
Board contributions subsequent to the measurement date	497,293	-
Total	<b>\$ 1,957,960</b>	<b>\$ (264,656)</b>

\$497,293 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 December 31, 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:

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*Notes to Financial Statements, Continued*

*December 31, 2020*

Year ended June 30:	LASERS
2021	\$ 11,300
2022	412,206
2023	441,715
2024	330,791

*Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

<b>Valuation Date</b>	June 30, 2020	
<b>Actuarial Cost Method</b>	Entry Age Normal	
<b>Actuarial Assumptions:</b>		
<b>Expected Remaining Service Lives</b>	2 years	
<b>Investment Rate of Return</b>	7.55% per annum, net of investment expenses*	
<b>Inflation Rate</b>	2.3% per annum	
<b>Mortality</b>	<p><b>Non-disabled members</b> – The RP-2014 Blue Collar (males/females) and White Collar (females) Healthy Annuitant Tables projected on a fully generational basis by Mortality Improvement Scale MP-2018.</p> <p><b>Disabled members</b> – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>	
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members for 2019.	
<b>Salary Increases</b>	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:	
	Lower	Upper
	Range	Range
	Regular	12.8%
	Judges	5.1%

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*Notes to Financial Statements, Continued*

*December 31, 2020*

Corrections	3.6%	13.8%
Hazardous Duty	3.6%	13.8%
Wildlife	3.6%	13.8%

**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 7.90%, recognizing an additional 35 basis points for gainsharing. The net return available to fund regular plan benefits is 7.55%, which is the same as the discount rate. Therefore, we conclude that the 7.55% 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 2.3% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.25% for 2020. 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Rates of Return</u>
Cash	0%	-0.59%
Domestic equity	23%	4.79%
International equity	32%	5.83%
Domestic Fixed Income	6%	1.76%
International Fixed Income	10%	3.98%
Alternative Investments	29%	6.69%
Risk Parity	0%	4.20%
Total Fund	100%	5.81%

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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

**Discount Rate**

The discount rate used to measure the total pension liability was 7.55%. 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 7.55%, 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 (6.55%) or one percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
Board's proportionate share of the net pension liability	\$ 12,015,840	\$ 9,778,163	\$ 7,879,246

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2020 Comprehensive Annual Financial Report at [www.lasersonline.org](http://www.lasersonline.org).

**Payables to the Pension Plan**

Included in accrued expense liabilities is \$92,006 payable to the System which was remitted subsequent to December 31, 2020.

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

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Notes to Financial Statements, Continued

December 31, 2020

## 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](http://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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	35
Total	<u>69</u>



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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*December 31, 2020*

**Total OPEB Liability**

The Board's total OPEB liability of \$5,941,353 was measured as of July 01, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the July 01, 2019, 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	2.98% - Based on the June 29, 2018 S&P 20-year municipal bond index rate
Discount rate	2.79% - Based on the June 29, 2019 S&P 20-year municipal bond index rate
Healthcare cost trend rates	Post-Medicare: 5.5% for 2019 - 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, 2018 through December 31, 2019. Claims experience was trended to the valuation date. The last two months 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 Advantage plans were based on calendar year 2020 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

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

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 active lives, the RP-2014 Blue Collar Employee Table, adjusted by 0.978 for males and 1.144 for females; and then projected on a fully generational basis by Mortality Improvement Scale MP-2018. For healthy lives, the RP-2014 Blue Collar Health Annuitant Table, adjusted by 1.280 for males and RP-2014 White Collar Healthy Annuitant Table, adjusted by 1.417 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2018. For disabled retiree lives, the RP-2020 Disabled Retiree Mortality Table, adjusted by 1.009 for males and 1.043 for females, not projected with mortality improvement.

**Changes in Total OPEB Liability**

Balance at December 31, 2019	\$ 6,839,014
Changes for the year	
Service cost	169,291
Interest	205,662
Differences between expected and actual experience	(116,848)
Changes in assumptions	(940,362)
Benefit payments and net transfers	(215,404)
Net changes	(897,661)
Balance at December 31, 2020	\$ 5,941,353

*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 (1.79%) or 1-percentage-point higher (3.79%) than the current discount rate:

	1.0% Decrease (1.79%)	Current Discount Rate (2.79%)	1.0% Increase (3.79%)
Total OPEB Liability	\$ 6,960,326	\$ 5,941,353	\$ 5,130,817

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

*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	\$ 5,125,687	\$ 5,941,353	\$ 6,975,093

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

For the year ended December 31, 2020, the Board recognized OPEB expense of (\$3,544). At December 31, 2020, 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	\$ -	\$ 119,947
Changes in assumptions	-	1,128,101
Board contributions subsequent to measurement date	99,896	-
Total	\$ 99,896	\$ 1,248,048

*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:	
2021	\$ (378,496)
2022	(378,496)
2023	(314,854)
2024	(176,202)
2025	-
Thereafter	-

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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

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:

<b>Service</b>	<b>Employee Contribution Percentage</b>	<b>Employer Contribution Percentage</b>
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. Employers pay 50% of the monthly premium for individual retirees. The retiree is responsible for 100% of the premium for dependents.

**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.

**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

**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 \$3,576,046 as reflected on Statement A, represents payments received from applicants for licenses for periods subsequent to December 31, 2020.

**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, 2020:

	Balance			Balance	Amounts
	December 31, 2019	Additions	Reductions	December 31, 2020	Due Within
					One Year
Compensated absences payable	\$ 303,511	\$ 147,984	\$ (114,871)	\$ 336,624	\$ 102,892
Net pension liability	9,008,687	1,773,745	(1,004,269)	9,778,163	-
OPEB payable	6,839,014	-	(897,661)	5,941,353	-
Total long-term liabilities	\$ 16,151,212	\$ 1,921,729	\$ (2,016,801)	\$ 16,056,140	\$ 102,892

**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

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

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*Notes to Financial Statements, Continued*

*December 31, 2020*

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 2020, the Board issued fines of \$1,264,226 with receipts for current and previous year's fines of \$326,684. 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

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**LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS,  
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*Notes to Financial Statements, Continued*

*December 31, 2020*

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's or community college's schools of construction management or construction technology. However, each accredited public university shall receive twice as much funds as each community college. (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, 2020, included in cash and cash equivalents was \$1,259,600 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, 2020 were \$9,957.

**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 2021. Future minimum rental commitments for equipment operating leases as of December 31, 2020 are as follows:

<b>Years Ending December 31,</b>	
<b>2021</b>	<b>\$ 17,673</b>

The total rental expense under the operating leases equaled \$35,988 at December 31, 2020.

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

Statement of Revenues, Expenditures and  
Changes in Net Position

Year Ended December 31, 2020

Budget (Legal Basis) and Actual - Enterprise Fund

	Budgeted Amounts		Actual Amounts GAAP Basis	Nonbudgeted Items and Adjustments	Actual (Budgetary Basis)	Budget to GAAP Differences Favorable (Unfavorable)	
	Original	Final					
<b>Revenues</b>							
Licenses, permits and fees	\$ 6,017,000	\$ 6,017,000	\$ 6,171,307	\$ -	\$ 6,171,307	\$ 154,307	
Investment income	1,000	1,000	3,303	-	3,303	2,303	
Gain/(loss) on disposal of assets	-	-	-	-	(2)	-	
Total revenues	6,018,000	6,018,000	6,174,610	-	6,174,610	156,610	
<b>Expenditures</b>							
Personal services	4,531,000	4,531,000	4,180,335	149,900	(1),(3), & (4)	4,330,235	200,765
Travel	190,000	190,000	114,626	-	-	114,626	75,374
Operating services	957,000	957,000	814,830	-	-	814,830	142,170
Supplies	193,689	193,689	181,160	-	-	181,160	12,529
Professional services	145,000	145,000	134,697	-	-	134,697	10,303
Capital outlay	1,311	1,311	-	-	(2)	-	1,311
Depreciation	-	-	203,329	(203,329)	(2)	-	-
Total expenditures	6,018,000	6,018,000	5,628,977	(53,429)	-	5,575,548	442,452
Excess of revenue over (under) expenditures and other sources	\$ -	\$ -	545,633	53,429	-	599,062	\$ 599,062
Total net position							
Beginning			(3,517,795)	8,572,508	(5)	5,054,713	
Ending			\$ (2,972,162)	\$ 8,625,937		\$ 5,653,775	

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 \$33,113.

(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 \$214,545.

(4) GASB 68 requires recording an expense for the annual Pension cost of \$31,532.

(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, 2020*

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 198,457	\$ 184,264	\$ 169,291
Interest	201,278	221,524	205,662
Differences between expected and actual experience	-	(47,044)	(116,848)
Changes of assumptions	(483,466)	(285,941)	(940,362)
Benefit payments	(251,991)	(251,991)	(215,404)
Net Change in total OPEB liability	(335,722)	(179,188)	(897,661)
Total OPEB liability - beginning	7,353,924	7,018,202	6,839,014
Total OPEB liability - ending	<u>\$ 7,018,202</u>	<u>\$ 6,839,014</u>	<u>\$ 5,941,353</u>
Covered-employee payroll	2,276,674	2,429,465	2,486,360
Net OPEB liability as a percentage of covered-employee payroll	308.27%	281.50%	238.96%

**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, 2020*

<b>Fiscal Year*</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>
<b><u>LASERS:</u></b>					
2020	0.1182%	\$9,778,163	\$2,486,360	393.27%	58.00%
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, 2020*

<b>Fiscal Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b><u>LASERS:</u></b>					
2020	\$997,030	\$997,030	\$ -	\$2,486,360	40.39%
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%

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

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*Notes to the Required Supplementary Schedules  
Schedule of Changes in Net OPEB Liability and  
Related Ratios*

*Year Ended December 31, 2020*

**OPEB**

*Changes of Benefit Terms* – no changes

*Changes in Assumptions and Other Inputs*

- Changes of assumptions and other inputs 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%
- 2019	2.79%
- Baseline per capita costs were adjusted to reflect 2019 claims and enrollment; retiree contributions were updated based on 2020 premiums. Plan claims and premiums increased less than had been expected. In addition, the estimate of future Employee Group Waiver Plan (EGWP) savings was increased, based on an analysis of recent EGWP experience.
- Life insurance contributions were updated based on updated schedules for 2020 monthly premium rates.
- The impact of the High Cost Excise Tax was removed. The High Cost Excise Tax was repealed in December 2019.
- Demographic assumptions in the June 30, 2019 actuarial valuation of the four State Retirement Systems are relied upon. One of the systems, Louisiana State Employee Retirement System (LASERS), performed a recent experience study and adopted new assumptions for the June 30, 2019 valuation.
- The potential impact of the COVID-19 pandemic on the July 1, 2019 liabilities was considered including the following: 1. The potential increase in incurred claims resulting from a higher volume of PCP, ER, urgent care, and telehealth visits related to COVID-19 testing and treatment; and 2. The potential decrease in incurred claims due to a short-term reduction in utilization of medical and dental preventive care, elective or non-critical procedure, and other services that can be considered discretionary, and; 3. The potential impact of higher than expected mortality related to COVID-19. Due to the lack of experience data and the offsetting nature of the items listed and the long-term nature of the liability projections no explicit adjustments were made to the calculations.

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

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*Notes to the Required Supplementary Schedules  
Schedule of Employer's Proportionate Share of the  
Net Pension Liability and Schedule of Employer's  
Pension Contributions*

*Year Ended December 31, 2020*

**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, 2020*

	Days	Amount
State Licensing Board for Contractors		
Lloyd Badeaux	9	\$ 675
Ronald Barron	2	150
Brian Bordelon	6	450
Noah Broussard, Jr.	8	600
William Clouatre	8	600
Nelson Dupuy, Jr.	8	600
Courtney Fenet, Jr.	8	600
August Gallo, Jr.	2	150
Danny Graham	5	375
Kenneth Jones	9	675
Curtis Joseph, Jr.	2	150
Donald Lambert	9	675
Chester Lee Mallett	7	525
Garland Meredith	6	450
Joel Rushing	9	675
Christopher Stuart	5	375
Byront Talbot	2	150
Elliot Temple	8	600
Keith Tillage	3	225
Victor Weston	9	675
Residential Building Contractors Subcommittee		
Doreen Adams	1	75
Lloyd Badeaux	9	675
James Fine	7	525
Robert Hamilton	4	300
Travis Manceaux	3	225
Frank Morse, Jr.	9	675
Craig Stevens	3	225
Elliot Temple	7	525
Wesley Wyman, Jr.	5	375
		<u>\$ 12,975</u>

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.

**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, 2020*

**Agency Head Name: Michael B. McDuff**

<b>Purpose</b>	
Salary	\$ 177,549
Benefits-insurance	12,402
Benefits-retirement	72,085
Deferred compensation	13,000
Cell phone	900
Dues	475
Travel	972
	<hr/>
	\$ 277,383

**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, 2020, 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 May 7, 2021.

***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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.



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.

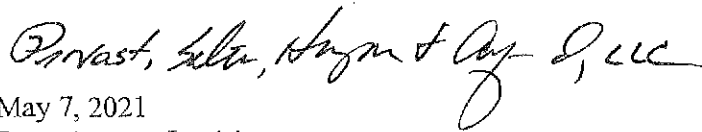
### ***Compliance and Other Matters***

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



May 7, 2021  
Baton Rouge, Louisiana

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

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*Schedule of Compliance Findings and Recommendations*

*December 31, 2020*

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.