

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA**

**Financial Report
As of and for the Year Ended
June 30, 2021**

LOUISIANA USED MOTOR VEHICLE COMMISSION
Financial Report
As of and for the Year Ended
June 30, 2021

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Financial Report
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Louisiana Used Motor Vehicle Commission
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Louisiana Used Motor Vehicle Commission (the Commission), a related organization of the State of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member

*American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants*

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisiana Used Motor Vehicle Commission as of June 30, 2021, and the respective changes in financial position 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 management's discussion and analysis on pages 5-9, budgetary comparison information on page 38, schedule of employer's share of net pension liability on pages 39-40, schedule of employer contributions to the pension plan on pages 41-43 and schedule of employer's proportionate share of the total collective OPEB liability on page 44 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Per Diem Paid to Commission Members and Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer on pages 46-47 are presented for purposes of additional analysis and are not part of the basic financial statements. This supplemental information is the responsibility of management and was derived from is related 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 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 2, 2021, on my consideration of the Louisiana Used Motor Vehicle Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Used Motor Vehicle Commission's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "John L. McKowen, CPA". The signature is written in a cursive style.

John L. McKowen, CPA

Baton Rouge, Louisiana
November 2, 2021

REQUIRED SUPPLEMENTARY INFORMATION
(PART 1 OF 2)

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The purpose of this section is to offer a narrative overview and analysis of the Louisiana Used Motor Vehicle Commission's (hereafter referred to as the Commission) financial performance - past and present - and its future prospects. It focuses, however, on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the financial report taken as a whole.

Overview of the Commission

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana created within the Office of the Governor as provided by LA RS 32:772 and governed by LA RS 32: 783. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories, and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Operations of the Commission are funded by self-generated funds which are primarily license fees.

Ten Commissioners, who are appointed by the Governor, provide guidance to this Commission. Commissioners are authorized by 32:772(c) to receive a per diem of \$75 for each meeting day and are reimbursed for travel and related expenses while performing commission business. The Commission holds at least 12 meetings per year. During meetings, the Commissioners review and approve financial statements consisting of the balance sheet, revenue and expenditure statement (which includes month-to-date, year-to-date, and budgeted figures), the certificate of deposit summary, and accounts receivable-hearings reports.

The Commission had 15 employees during the audited year, other than the Commissioners. The Annual Financial Report is obtained on a contract basis and the Commission accounting staff assists in its preparation. The Commission has one checking account and eight certificates of deposit. Two signatures are required on each check and the authorized signatures are that of the Executive Director, the Administrative Assistant 5, and the Accountant Supervisor. The Accounting Specialist prepares the accounts payable checks. The Accountant Supervisor prepares the payroll. Bank statements are reconciled by the Accountant Supervisor and approved by the Executive Director.

Overview of the Financial Statement Presentation

These financial statements are comprised of these components – (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplemental information. There is also other supplemental schedules and information contained in this report provided for additional information.

Basic Financial Statements. The basic financial statements present information for the Commission as a whole. Statements in this section include the following:

Statement of Net Position. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and

**LOUISIANA USED MOTOR VEHICLE COMMISSION
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Louisiana Used Motor Vehicle Commission is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the Commission's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The basic financial statements can be found on pages 11-15 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The index of the notes is found on page 17 with the actual notes beginning immediately afterwards.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that is deemed useful to readers of this report.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis of the Commission

Net position is an indicator of the Commission's financial position from year to year. A summary of net position follows.

SUMMARY OF NET POSITION

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 3,045,549	\$ 3,488,794
Non-current assets	152,013	154,658
Total Assets	<u>3,197,562</u>	<u>3,643,452</u>
Deferred Outflows of Resources	1,034,577	731,333
Liabilities		
Current liabilities	257,291	350,902
Non-current liabilities	4,145,440	4,025,622
Total Liabilities	<u>4,402,731</u>	<u>4,376,524</u>
Deferred Inflows of Resources	566,874	395,942
Net position		
Invested in capital assets, net of related debt	152,013	154,658
Unrestricted	889,479)	(552,339)
Total Net Position	<u>(737,466)</u>	<u>(397,681)</u>

Between June 30, 2020 and June 30, 2021, the net position of the Commission decreased by \$339,785.

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 1,052,349	\$ 1,649,314
Operating Expenses	<u>(1,408,472)</u>	<u>(1,498,761)</u>
Operating Income (Loss)	(356,123)	195,553
Non-operating Revenues (Expenses)	<u>16,338</u>	<u>50,223</u>
Change in Net position	<u>(339,785)</u>	<u>245,776</u>

Revenues decreased by \$630,507 or 37%. Expenses decreased by \$90,289 or 6% of those in the prior year.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Cash flow activity of the Commission for the past two years is as follows:

	<u>2021</u>	<u>2020</u>
STATEMENT OF CASH FLOWS		
Cash and cash equivalents provided by (used for):		
Operating activities	\$ (437,160)	\$ 79,393
Non-capital financing activities	-	-
Capital and related financing activities	(34,521)	10,370
Investing activities	<u>16,178</u>	<u>50,223</u>
Net Increase(decrease) in Cash and Cash Equivalents	(455,503)	139,986
Cash and cash equivalents, beginning of year	<u>2,342,524</u>	<u>2,202,538</u>
Cash and cash equivalents, end of year	<u><u>1,887,021</u></u>	<u><u>2,342,524</u></u>

Budgetary Highlights

Revenues were less than anticipated by \$447,166 or 29%. Expenses were \$328,326 or 19% less than budgeted. This resulted in a change in net position that was \$118,840 unfavorable to budget.

Capital Asset and Debt Administration

Capital Assets: The Commission's investment in capital assets, net of accumulated depreciation, at June 30, 2021 and 2020, was \$152,013 and \$154,658, respectively. The most significant capital asset is the Commission's building at a total initial cost of \$255,488 including land.

Capital assets at year-end are summarized as follows:

	<u>2021</u>	<u>2020</u>
CAPITAL ASSETS		
Net of Accumulated Depreciation		
Non-depreciable Assets		
Land	\$ 50,000	\$ 50,000
Depreciable Assets		
Buildings	41,841	47,071
Parking lot	4,600	5,157
Website	-	1,333
Autos and equipment	<u>55,572</u>	<u>51,079</u>
Total	<u><u>152,013</u></u>	<u><u>154,658</u></u>

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Capital acquisitions during the year included equipment with a total cost of \$11,369, and a vehicle costing \$23,152.

Debt Administration: Long-term debt of the Commission includes compensated absences at amounts of \$66,729 and \$59,901 at June 30, 2021 and 2020, respectively. There is also an actuarially determined obligation for post-employment benefits of \$1,398,188 at June 30, 2021, down from \$1,746,024 at June 30, 2020, and net pension liability of \$2,680,523, up from \$2,219,697 at June 30, 2020.

Future Plans and Next Year's Budget

In October, 2020, licensees in Districts 1,2 and 3 of the State of Louisiana renewed their two-year license for the 2021-2022 calendar year. Those in Districts 4 and 5 were in the second year of their two-year license period. All salesperson licenses in all districts will continue to renew annually.

The Commission continues to improve procedures throughout the state to further the enforcement of its laws and regulations and the protection of consumer rights. The Commission has already expanded its Compliance Investigation staff in order to provide more complete coverage of the entire state and will continue to provide timely and effectual assistance to all consumers in Louisiana.

During this fiscal year, the Accounting Department of this Commission implemented several in-depth process changes to further secure internal controls of its purchasing procedures and to obtain improved automated services from the Commission's fiscal agent. The Department will continue to constantly seek improvements in its processes in the future. This will provide improved support to licensees, the public, and the Commission staff.

During the coming fiscal year, the Commission's budget will include expenditures to maintain good stewardship of its property, buildings, equipment and vehicles. Online and automated processes will continue to be offered to licensees in order to efficiently and effectively provide licensing services and accurately oversee revenue.

The Louisiana Used Motor Vehicle Commission looks forward to continued growth and improvement to further serve its licensees and protect the public.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances, comply with finance-related laws and regulations and demonstrate the Commission's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting Mr. Derek Parnell at 3132 Valley Creek Drive, Baton Rouge, Louisiana 70808, 225-925-3874.

BASIC FINANCIAL STATEMENTS

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Business-type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,887,021
Investments	748,584
Accounts receivable, net of allowance of \$85,504	380,636
Prepaid expenses	29,308
Total Current Assets	3,045,549
Non-Current Assets	
Land	50,000
Building/parking lot	205,488
Auto and equipment	226,646
Website	4,000
Accumulated depreciation	(334,121)
Total Non-Current Assets	152,013
Total Assets	\$ 3,197,562
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	802,435
Deferred outflows related to other postemployment benefits	232,142
Total Deferred Outflows of Resources	\$ 1,034,577
LIABILITIES	
Current Liabilities	
Accounts payable	39,507
Payroll taxes withheld and related payables	38,372
Accrued salaries payable	29,888
Fines held pending appeal	850
Unearned revenue	148,674
Total Current Liabilities	257,291

Continued

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2021

Non-Current Liabilities		
Compensated absences payable		66,729
Other post-employment benefits plan payable		1,398,188
Net pension liability		<u>2,680,523</u>
Total Non-Current Liabilities		<u>4,145,440</u>
	Total Liabilities	<u>\$ 4,402,731</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		31,088
Deferred inflows related to other postemployment benefits		535,786
Total Deferred Inflows of Resources		<u>\$ 566,874</u>
 NET POSITION		
Invested in capital assets, net of related debt		152,013
Unrestricted		<u>(889,479)</u>
Total Net Position		<u><u>\$ (737,466)</u></u>

The accompanying notes are an integral part of these statements.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Business-type Activities
<u>OPERATING REVENUES</u>	
Licenses and other fees	\$ 541,345
Auction fees	411,900
Hearing costs and fines	54,953
Mailing lists/labels/other revenue	44,151
Total Operating Revenues	1,052,349
<u>OPERATING EXPENSES</u>	
Salaries and related benefits	1,132,180
Meetings, conferences and travel	8,838
Professional services	62,287
Maintenance and repairs	17,553
General and administrative	150,447
Depreciation	37,167
Total Operating Expenses	1,408,472
Operating Income (Loss)	(356,123)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	16,338
Total Non-Operating Revenues (Expenses)	16,338
Change in Net Position	(339,785)
Total Net Position, beginning of year	(397,681)
Total Net Position, ending	\$ (737,466)

The accompanying notes are an integral part of these statements.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR END JUNE 30, 2021**

	<u>Business-type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 934,383
Cash paid to suppliers for goods/services	(228,281)
Cash paid to employees for services	<u>(1,143,262)</u>
Net Cash Provided by Operating Activities	(437,160)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(34,521)</u>
Net Cash Used for Capital and Related Financing Activities	(34,521)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(160)
Interest received from investments	<u>16,338</u>
Net Cash Provided by Investing Activities	16,178
Net Increase in Cash and Cash Equivalents	(455,503)
Cash and Cash Equivalents, beginning of year	<u>2,342,524</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,887,021</u></u>

Continued

LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
STATEMENT OF CASHFLOWS (Continued)
YEAR END JUNE 30, 2021

	Business-type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (356,123)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	37,166
(Increase) decrease in assets:	
Accounts receivable	(6,120)
Prepaid expenses	(5,978)
(Increase) decrease in deferred outflows of resources:	
Deferred outflows related to pensions	(424,294)
Deferred outflows related to OPEB	121,050
Increase (decrease) in liabilities:	
Accounts payable	16,822
Accrued salaries and retirement payable	1,413
Unearned revenue	(111,846)
Compensated absences payable	6,828
Other post-employment benefits plan payable	(347,836)
Net pension liability	460,826
Increase (decrease) in deferred inflows of resources:	
Deferred inflows related to pensions	(35,973)
Deferred inflows related to OPEB	206,905
Net Cash Provided by Operating Activities	\$ (437,160)

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

**LOUISIANA USED MOTOR VEHICLE COMMISSION
INDEX TO NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

INTRODUCTION

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana. It is the successor to the Louisiana Recreational and Used Motor Vehicles Commission, is within the Office of the Governor and is governed by Chapter 4C of Title 32 of the Louisiana Revised Statutes. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Headquartered in Baton Rouge, the Commission's operations are funded by self-generated funds which are primarily license fees.

The Commission is composed of 10 members appointed by the Governor of the State of Louisiana and serve concurrent terms with that of the Governor. Five of the members must be licensed used motor vehicle dealers from each of the Public Service Commission districts. Three of the members must be consumers selected at large. One each of the following make up the remaining members – (1) licensed automotive dismantler or parts recycler, and (2) licensed conductor of used motor vehicle auctions or salvage pool auctions. Commission members, as authorized by Louisiana Administrative Code 46:317(C), may receive a per diem of \$75 per day in addition to actual expense reimbursement to attend meetings or conduct Commission-approved business.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Louisiana Used Motor Vehicle Commission (the Commission) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position, results of operations, and cash flows of the Commission as of and for the year ended June 30, 2021.

Financial Reporting Entity: As required by GASB Statement No. 61, *The Financial Reporting Entity – an amendment of GASB Statements No. 14 and No. 34*, the Commission is considered a related organization of the State of Louisiana. The accompanying financial statements present only the transactions of the Louisiana Used Motor Vehicle Commission.

Basis of Presentation - Fund Accounting: Proprietary funds are used to account for the Commission's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resources measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. The Commission maintains one proprietary fund, the General Fund.

Basis of Accounting: The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Reporting: The Commission has adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and also the required portions of GASB Statement No. 37, *Basic Financial Statements – for State and Local Governments – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external reporting for all state and local governmental entities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of restricted, or invested in capital assets, net of related debt.

Budgets and Budgetary Accounting: Subject to the Louisiana Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342, the Commission adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The Commission must approve any revisions that alter the total expenditures. Although budget amounts lapse at year end, the Commission retains its unexpended fund balances to fund expenditures in the succeeding year.

Cash and Cash Equivalents: Cash and cash equivalents include amounts in interest-bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings.

The Commission's policy is tailored after Louisiana Revised Statute 49:327 and prohibits investments with maturities extending beyond twelve months. The policy also requires that three quotes be obtained from allowable financial institutions as to interest rates and that the amounts of the investment not exceed an amount insured by FDIC (\$250,000) and pledged collateral at any one institution.

Inventory: Inventory of the Commission includes only office supplies and printed materials, the amount of which is considered immaterial. Therefore, the acquisition of these items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets: Capital assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets. Generally, the Commission includes all capital acquisitions with a cost of \$1,000 in its fixed asset inventory. However, certain items at a cost below that amount may be capitalized if benefits of the item will extend beyond one year and/or the Commission wants to monitor the item.

Compensated Absences: Employees of the Commission earn and accumulate vacation and sick leave at varying rates depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, however, employees or their heirs are compensated for only up to 300 hours of unused vacation leave. This is computed at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. At June 30, 2021, employees of the Commission had accumulated and vested \$66,729 in employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

Deferred Outflows/Inflows of Resources: The statement of Financial Position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

Covid-19 Related Issues: During the 2020 regular session, the Louisiana Legislature enacted House Concurrent Resolution 71, whereby certain state agencies and licensing boards were directed to suspend fees imposed on businesses from July 1, 2020 through June 30, 2021. As a result of the legislation, the Commission renewed licenses to businesses with expiration dates of July 1 through June 30, 2021 without collecting the applicable licensing fees that would have been due for license renewals during the

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fiscal year ended June 30, 2021.

The Commission’s fee schedule for businesses is based on a calendar year and does not provide for a reduction in the annual fee for partial year license fees. Business license fees are collected by the Commission for a two-year period. The license fees for businesses which renewed licenses expiring during the fiscal year ending June 30, 2021, will be due on July 1, 2021. The legislation suspended collection of license fees on businesses due at the beginning of the 2021 calendar year for a six-month period, delaying the collection of the fees to the succeeding fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2021:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty cash	\$ 500	\$ 500
Interest-bearing demand deposits	<u>1,886,521</u>	<u>2,898,964</u>
Total	<u>1,887,021</u>	<u>1,899,464</u>

These deposits are stated at cost, which approximates market. Under state law, they 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 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.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Commission does not have any deposits that fall within this category.

NOTE 3 – INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter-party or the counter-party’s trust department or agent but not in the entity’s name. The Commission does not have any investments subject to credit risk. All investments are certificates of deposit with maturities extending beyond 90 days. At June 30, 2021, the Commission had certificates whose reported amount equaled its fair value as follows:

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	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
B1 Bank	1/15/22	0.50%	\$ 75,002
B1 Bank	1/15/22	0.50%	73,993
J.P. Morgan Chase	4/23/22	1.03%	51,179
J.P. Morgan Chase	4/15/22	0.05%	99,123
Campus Federal Credit Union	7/20/21	0.85%	250,160
B1 Bank	9/25/21	0.40%	50,021
B1 Bank	9/25/21	0.40%	50,021
Bank of St. Francisville	1/20/22	0.50%	<u>51,179</u>
Total			<u>748,584</u>

NOTE 4 – RECEIVABLES

The following is a summary of receivables at June 30, 2021:

Class of Receivables

Accounts - hearings, net of allowance of \$85,504 **\$ 380,636**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital Assets, being depreciated:				
Buildings and improvements	205,488	-	-	205,488
Less: accumulated depreciation	(153,242)	(5,805)	-	(159,047)
Net Buildings and Improvements	52,246	(5,805)	-	46,441
Autos and equipment	192,125	34,521	-	226,646
Less: accumulated depreciation	(141,046)	(30,028)	-	(171,074)
Net Autos and Equipment	51,079	4,493	-	55,572
Website	4,000	-	-	4,000
Less: accumulated depreciation	(2,667)	(1,333)	-	(4,000)
Net Website	1,333	(1,333)	-	-
Net Capital Assets, being depreciated	<u>104,658</u>	<u>(2,645)</u>	-	<u>102,013</u>
Net Capital Assets	<u>154,658</u>	<u>(2,645)</u>	-	<u>152,013</u>

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NOTE 6 – ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2021:

<u>Class of Payables</u>	
Accounts	\$ 39,507
Payroll taxes withheld and related payables	38,372
Accrued salaries	29,888
Fines held pending appeal	850
Unearned revenue	<u>148,674</u>
 Total	 <u>257,291</u>

NOTE 7 – LEAVE

Annual and Sick Leave. The Commission’s employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service and are credited at the end of each month of regular service. Accumulated leave is carried forward to succeeding years without limitation. Requests for leave must be made to the employee’s immediate supervisor and approved by the Executive Director or his/her designee. Upon termination, employees 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.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditures when leave is earned. Only annual leave is accrued in the accompanying statement of net position, the amount unpaid at June 30, 2021 and 2020, being \$66,729 and \$59,901, respectively.

NOTE 8 – PENSIONS

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.

General Information about the Pension Plan

Plan Description

Employees of the Commission are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees’ Retirement System (LASERS).

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Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided

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

Retirement Benefits

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 or at age 60 upon completing ten years of creditable service 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

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new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

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

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

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

1. Deferred Retirement Benefits

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

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004,

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such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given 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.

2. Disability Benefits

Generally, active 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.

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. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

3. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service 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

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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 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.

4. 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

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2019 for the various plans follow:

Plan	Plan Status	2020
		Employer Rate
Appellate Law Clerks	Closed	37.90%
Appellate Law Clerks hired on or after 7/1/06	Closed	37.90%
Alcohol Tobacco Control	Closed	31.40%
Bridge Police	Closed	36.70%
Bridge Police hired on or after 7/1/06	Closed	36.70%
Corrections Primary	Closed	33.50%
Corrections Secondary	Closed	37.70%
Harbor Police	Closed	7.10%
Hazardous Duty	Open	38.50%
Judges hired before 1/1/11	Closed	40.10%
Judges hired after 12/31/10	Closed	39.00%
Judges hired on or after 7/1/15	Open	39.00%
Legislators	Closed	41.60%
Optional Retirement Plan (ORP) before 7/1/06	Closed	37.90%
Optional Retirement Plan (ORP) on or after 7/1/06	Closed	37.90%
Peace Officers	Closed	36.70%
Regular Employees hired before 7/1/06	Closed	37.90%
Regular Employees hired on or after 7/1/06	Closed	37.90%
Regular Employees hired on or after 1/1/11	Closed	37.90%
Regular Employees hired on or after 7/1/15	Open	37.90%
Special Legislative Employees	Closed	43.60%
Wildlife Agents	Closed	46.30%
Aggregate Rate		37.90%

The agency's contractually required composite contribution rate for the year ended June 30, 2020 was 37.9% of annual payroll, 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 Agency were \$280,911 for the year ended June 30, 2021.

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

At June 30, 2021 the Employer reported a liability of \$2,680,523 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 Agency's proportion of the Net Pension Liability was based on a projection of the Agency'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 Agency's proportion was 0.03241%, which was an increase of 0.00177% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2021, the Agency recognized pension expense of \$281,470.

At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (25,743)
Changes of assumptions	8,577	-
Net difference between projected and actual earnings on pension plan investments	391,841	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	121,106	(5,345)
Employer contributions subsequent to the measurement date	280,911	-
Total	<u>\$ 802,435</u>	<u>(31,088)</u>

\$280,911 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$	107,787
2023	\$	170,879
2024	\$	121,089
2025	\$	90,681

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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:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	2 years
Investment Rate of Return	7.60% per annum, net of investment expenses*
Inflation Rate	2.50% per annum
Mortality	Non-disabled members - Mortality rates for 2019 based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members for 2019.
Salary Increases	Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:

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

Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.
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*The investment rate of return used in the actuarial valuation for funding purposes was 8.00%, recognizing an additional 40 basis points for gain-sharing. The net return available to fund regular plan benefits is 7.60%, which is the same as the discount rate. Therefore, we conclude that the 7.60% discount is reasonable.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2020. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 are summarized in the following table:

Expected Long Term Real Rates of Return	
Asset Class	2020
Cash	0.24%
Domestic Equity	4.83%
International Equity	5.83%
Domestic Fixed Income	2.79%
International Fixed Income	4.49%
Alternative Investments	8.32%
Risk Parity	5.06%
Total Fund	6.09%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the pension 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 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.

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Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.0% Decrease (6.60%)		Current Discount Rate (7.60%)		1.0% Increase (8.60%)
Employer's proportionate share of the net pension liability	\$ 3,293,946		\$ 2,680,523		\$ 2,159,967

Pension Plan Fiduciary Net Position

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

NOTE 8 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Effective January 1, 2021, retired employees who have Medicare Part A and B coverage also have access to nine fully insured Medicare Advantage Plans.

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

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

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2020, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2021, The Commission reported a liability of \$1,398,188 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

The Commission's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. As of July 1, 2020, the most recent measurement date, the Commission's proportionate share was 0.02644%, or an increase of 0.00383%.

The total collective OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.5
- Inflation Rate – Consumer Price Index (CPI) 2.8%
- Salary Increase Rate – consistent with pension plan disclosed in note 7
- Discount rate – 2.66% based on June 30, 2020 Standard & Poor's 20-year municipal bond index rate
- Mortality Rates – based on RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2018.

- Healthcare cost trends – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

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

- Decrease in discount rate from 2.79% to 2.66%.
- Baseline per capita costs were adjusted to reflect 2020 claims and enrollment, retiree contributions were updated based on 2021 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums.
- Percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

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

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

	1.0% Decrease (1.66%)	Current Discount Rate (2.66%)	1.0% Increase (3.66%)
Proportionate Share of Total Collective OPEB Liability	\$ 1,649,946	\$ 1,398,188	\$ 1,198,926

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

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

	1.0% Decrease (6%decreasing to 3.5%)	Current Discount Rate 7%decreasing to 4.5%)	1.0% Increase (8%decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	\$ 1,196,914	\$ 1,398,188	\$ 1,657,070

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

For the year ended June 30, 2021, the Commission recognized OPEB expense of \$(6,849). At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ (237,109)
Difference between expected and actual experience	\$ 232,142	\$ (298,707)
Total	<u>\$ 1,148</u>	<u>\$ (50,884)</u>

Deferred outflows of resources related to OPEB resulting from the Commission's benefit payments subsequent to the measurement date will be recognized as a reduction to the total collective liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$(55,488)
2023	(64,012)
2024	(120,263)
2025	(63,912)
Total	<u>\$(303,675)</u>

NOTE 10 – LEASES

Operating Leases. A copier is leased from Kyocera Mita for \$370.93 per month or \$4,451 annually. Postage equipment is leased from Pitney Bowes for \$355.19 per month, or \$4,262 annually. Each lease is on a month-to-month basis.

Capital Leases. The Commission has no capital leases.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 59,901	\$ 6,828	\$ -	\$ 66,729	\$ -
Other post-employment benefits	1,746,024	-	(347,836)	1,398,188	-
Net pension liability	2,219,697	460,826	-	2,680,523	-
Total	<u>4,025,622</u>	<u>467,654</u>	<u>(347,836)</u>	<u>4,145,440</u>	<u>-</u>

NOTE 12– RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 13 – CONTINGENT LIABILITIES

Pending litigation regarding the Commission’s authority to impose fines and penalties for violations of the “Auto Hulk” laws continues from the prior year. The plaintiff’s only demand is one for declaratory relief. No claim for monetary damages has been asserted. The petition was filed in August, 2017, and no action has taken place since September, 2017.

Management intends to respond to the litigation, if necessary. However, the law has changed and the Commission’s counsel anticipates further action in the matter unlikely.

Management is also aware of two additional pending matters. No potential loss is expected in one matter, and the likelihood of loss in the second has not been determined.

NOTE 14 – SUBSEQUENT EVENTS

Management of the Commission has evaluated subsequent events through November 2, 2021, the date that the financial statements were to be issued and has determined that there are no significant subsequent events that requires disclosure through that date.

REQUIRED SUPPLEMENTARY INFORMATION
(PART 2 OF 2)

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
YEAR END JUNE 30, 2021**

	<u>Budgeted</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
REVENUES				
Licenses and other fees	\$ 1,187,406	\$ 1,187,406	\$ 953,245	\$ (234,161)
Hearing costs and fines	257,758	257,758	54,953	(202,805)
Mailing lists/labels	5,563	5,563	44,151	38,588
Interest income	65,126	65,126	16,338	(48,788)
Other revenues	-	-	-	-
Total Revenues	\$ 1,515,853	\$ 1,515,853	\$ 1,068,687	\$ (447,166)
EXPENDITURES				
Salaries and related benefits	\$ 1,311,289	\$ 1,314,789	\$ 1,132,180	\$ 182,609
Meetings, conferences and travel	36,795	37,475	8,838	28,637
Professional services	201,999	175,299	62,287	113,012
Maintenance and repairs	31,529	32,229	17,553	14,676
General and administrative	159,186	177,006	150,447	26,559
Depreciation	-	-	37,167	(37,167)
Total Expenditures	\$ 1,740,798	\$ 1,736,798	\$ 1,408,472	\$ 328,326
Change in Net Position	\$ (224,945)	\$ (220,945)	\$ (339,785)	\$ (118,840)
Net Assets, beginning	\$ (397,681)	\$ (397,681)	\$ (397,681)	-
Net Assets, ending	\$ (622,626)	\$ (618,626)	\$ (737,466)	\$ (118,840)

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA**

Schedule of Employer's Share of Net Position Liability

For the Ten Years Ended June 30, 2021

	2021	2020	2019	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.03241%	0.03064%	0.03218%	0.03090%	0.02611%
Employer's Proportionate Share of the Net Pension	2,680,523	2,219,697	2,194,584	2,175,069	2,049,909
Employer's Covered-Employee Payroll^A	679,774	609,419	622,752	576,139	490,818
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	421%	364%	352%	378%	418%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability^B	58.0%	62.9%	64.3%	62.5%	57.7%

Schedule of Employer's Share of Net Position Liability (Continued)
For the Ten Years Ended June 30, 2021

	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.02422%	0.02438%
Employer's Proportionate Share of the Net Pension	1,824,583	1,598,989
Employer's Covered-Employee Payroll^A	509,059	471,120
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	358%	339%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability^B	62.7%	65.0%

Schedule of Employer Contributions

For the Year Ended June 30, 2021

Date	Contractually Required Contribution¹	Contributions in Relation to Contractually Required Contribution²	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll³	Contributions as a % of Covered Employee Payroll
2021	276,820	268,802	8,018	679,774	39.54%
2020	248,034	245,900	2,134	609,419	40.35%
2019	234,739	236,360	(1,621)	622,752	37.95%
2018	218,357	225,881	(7,524)	576,139	39.21%
2017	210,697	184,873	25,824	490,818	37.67%
2016	176,001	183,850	(7,849)	509,059	36.12%
2015	124,254	150,792	(26,538)	471,120	32.01%

Notes to Required Supplementary Information

1. Schedule of Employer's Share of the Net Pension Liability

This schedule reflects the participation of the Amite River Basin Drainage and Water Conservation District's employees in LASERS and its proportionate share of the net pension liability as a percentage of its covered employee payroll, and the plan fiduciary net position as a percentage of the total pension liability.

2. Schedule of Employer's Contributions

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

3. Actuarial Assumptions for Net Pension Liability

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	2 Years
Investment Rate of Return	7.60% per annum for current year
Inflation Rate	2.5% per annum for current year
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year experience study (2014-2018) of the System's members.
Salary Increases	Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:

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

Cost of Living Adjustments

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

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
JUNE 30, 2021**

**Schedule of Employer's Proportionate Share of the Total Collective OPEB Liability
For the Ten Years Ended June 30, 2021**

	2021	2020	2019	2018	2017
Employer's Proportion of the Collective OPEB Liability (Asset)	0.02644%	0.02261%	0.02272%	0.01719%	0.02203%
Employer's Proportionate Share of The Collective OPEB Liability	1,746,024	1,746,024	1,939,352	1,494,325	1,444,919
Employer's Covered-Employee Payroll	160,927	543,525	506,220	445,690	379,687
Employer's Proportionate Share of The Collective OPEB Liability (Asset) As a Percentage of its Covered-Employee Payroll	52.8%	321%	383%	335%	381%

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

Notes to Required Supplementary Information

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

SUPPLEMENTARY INFORMATION

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS
JUNE 30, 2021**

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of per diem/compensation paid to Commission members is presented for the year ended June 30, 2021.

<u>Name</u>	<u>Amount</u>
Britt, Jefferey	825
Brown, Travis	375
Cormier, Tony	375
Donnell, Ricky	825
Floyd, George	825
Olave, Steve (waived)	-
Poteet, John	525
Pederson, Matthew	600
Smith, Henry	300
Taylor, Dino	600
Watts, Richard	<u>825</u>
Total	<u>6,075</u>

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2021**

AGENCY HEAD NAME: Derek Parnell, Executive Director

PURPOSE	AMOUNT
Salary	\$ 111,644
Retirement	44,769
Health and Dental Insurance	7,152
Total	<u>\$ 163,565</u>

John L. McKowen
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**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**

To the Commissioners of the
Louisiana Used Motor Vehicle Commission
3132 Valley Creek Drive
Baton Rouge, Louisiana 70808

I 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 business-type activities of the Louisiana Used Motor Vehicle Commission, a related organization of the State of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Louisiana Used Motor Vehicle Commission's basic financial statements, and have issued my report thereon dated November 2, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Louisiana Used Motor Vehicle Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission'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 is important enough to merit attention by those charged with governance.

Member

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

My 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 my audit I did not identify any deficiencies in internal control that I 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 Used Motor Vehicle Commission's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my 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 conducted in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



John L. McKowen, CPA
November 2, 2021

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

I have audited the basic financial statements of the Louisiana Used Motor Vehicle Commission as of and for the year ended June 30, 2021, and have issued my report thereon dated November 2, 2021. I conducted my 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. My audit of the financial statements as of June 30, 2021, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	<input type="checkbox"/> No
	Significant Deficiencies	<input type="checkbox"/> No
Compliance	Compliance Material to F/S	<input type="checkbox"/> No

2. Federal Awards

N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

Section I Summary of Auditor's Reports

3. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	<input type="checkbox"/> No
	Significant Deficiencies	<input type="checkbox"/> No

Compliance	Compliance Material to F/S	<input type="checkbox"/> No
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4. Federal Awards

N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A