

LEGISLATIVE AUDITOR



1997

FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: NOV 26 1997

OUR MISSION

TO PROVIDE LEGISLATIVE OVERSIGHT RELATING TO THE USE OF PUBLIC FUNDS WITHIN LOUISIANA'S STATE AND LOCAL GOVERNMENTS

OUR OBJECTIVES

To provide the legislature and other public officials with accurate, relevant information for use in their decision-making process.

To provide quality audit services for state and local governments.

To evaluate the effectiveness, efficiency, and usefulness of state programs.

To project a positive public image.

To maintain a high degree of professionalism within the organization.

To provide a satisfying and rewarding place to work.

LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 1997

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 1997

AFFIDAVIT

Personally came and appeared before me, the undersigned authority, Daniel G. Kyle, Legislative Auditor, of the Office of Legislative Auditor, who being duly sworn, deposes and says: That the statements herewith given are a true presentation of balances of the General Appropriation Fund and the Auxiliary Enterprise Fund at June 30, 1997, and the results of transactions of such funds for the year then ended, in accordance with generally accepted accounting principles.


LEGISLATIVE AUDITOR
Post Office Box 94327
Baton Rouge, LA. 70804-0327

Sworn to and subscribed before me, this the 13th day of August, 1997.


NOTARY PUBLIC

LEGISLATIVE AUDITOR
STATE OF ILLINOIS
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 1997

	ACCOUNT GROUPS			TOTALS	
	GOVERNMENTAL FUNDS GENERAL FUND	GENERAL FUND ASSETS	SPECIAL FUND LONG TERM	MEMORANDUM ONLY (See No. 1207, Item No. 020)	
ASSETS AND OTHER DEBIT					
Cash in hand	\$51,407			\$51,407	\$51,407
Due to state treasury account of financing	1,014,368			1,014,368	985,178
Accounts receivable:					
Taxes advance	230			230	230
Miscellaneous	1,889			1,889	1,879
Accrued revenues and fees receivable:					
School, fee, certificate, education and fees paid	50,000			50,000	50,000
General fund, fee-reimbursed	(50,000)			(50,000)	(50,000)
Prepaid expenses	1,000			1,000	1,000
Furniture, fixtures, and equipment		\$1,840,000		1,840,000	1,791,079
Other assets - amounts to be provided for retirement of general long-term debt/notes					
			\$1,000,000	1,000,000	985,178
TOTAL ASSETS AND OTHER DEBIT	\$1,021,124	\$1,840,000	\$1,000,000	\$2,471,124	\$1,986,765
LIABILITIES, EQUITY, AND OTHER CREDIT					
Liabilities					
Accounts payable	\$51,407			\$51,407	\$51,407
Accrued salaries and related benefits	657,000			657,000	644,338
Compressed accounts			\$1,000,000	1,000,000	985,178
Total Liabilities	\$708,407		\$1,000,000	\$1,405,407	\$1,440,923
Equity and Other Credit					
Reserves in general fund assets		\$1,840,000		1,840,000	1,791,079
Fund balances:					
Reserve for encumbrances	(50,000)			(50,000)	(50,000)
Fund balances, non-current and assigned	701,000			701,000	684,000
Total Equity and Other Credit	\$651,000	\$1,840,000		\$2,491,000	2,359,079
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT	\$1,359,407	\$1,840,000	\$1,000,000	\$2,471,124	\$1,986,765

The accompanying notes are an integral part of this statement.

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GOVERNMENTAL FUND
ALL FUNDS**

**Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 1997**

	ORIGINAL FUND	
	For the Year Ended	
	June 30, 1997	June 30, 1996
REVENUES		
State General Fund Appropriation	\$5,988,298	\$5,988,984
Audit fees and allowances	5,201,817	5,359,116
Interest	34,858	23,219
Photocopies	3,286	3,243
Miscellaneous	98	11
Total Revenues	<u>11,218,357</u>	<u>11,374,683</u>
EXPENDITURES		
Personal services	9,912,288	9,858,118
Taxes	438,468	508,654
Operating services	820,788	888,310
Supplies	47,666	48,312
Professional services	1,970	42,850
Capital outlay	310,539	413,461
Debt debt		5,175
Total Expenditures	<u>11,479,197</u>	<u>11,598,714</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(260,840)	(224,031)
OTHER FINANCING USE:		
Transfers to the State Treasury, General Fund		<u>(1,000,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	(260,840)	(1,244,031)
BEGINNING OF THE YEAR FUND BALANCE	<u>1,181,288</u>	<u>2,200,729</u>
END OF THE YEAR FUND BALANCE	<u>\$850,448</u>	<u>\$956,698</u>

The accompanying notes are an integral part of this statement.

LEGISLATIVE ADMINISTRATION
STATE OF LOUISIANA
GENERAL FUND

Statement C

Statement of Revenues, Expenditures and
Encumbrances, and Changes in Fund Balance -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1997

	BUDGET	ACTUAL	VARIANCE FAVORABLE UNFAVORABLE
REVENUES APPROPRIATED BY LEGISLATURE			
Base General Fund	\$1,495,000	\$1,488,500	
State fee and miscellaneous revenues	3,740,200	3,695,500	(\$44,700)
Fine (year amount) (1)		\$1,500	\$1,500
Total Revenues	<u>\$5,235,200</u>	<u>\$5,185,500</u>	<u>(\$49,700)</u>
EXPENDITURES AND ENCUMBRANCES			
Personal services	1,850,000	1,857,000	\$700
Taxes	450,000	448,000	(2,000)
Operating services	200,000	200,000	
Supplies	40,000	40,000	
Professional services	50,000	50,000	
Capital outlay	200,000	200,000	
Total expenditures and encumbrances	<u>\$3,000,000</u>	<u>\$3,005,000</u>	<u>(\$5,000)</u>
EXCESS OF LIABILITIES AND ENCUMBRANCES OVER REVENUES		(1,000)	(1,000)
FUND BALANCE BEGINNING OF THE YEAR	<u>1,144,000</u>	<u>1,094,000</u>	<u>(\$50,000)</u>
FUND BALANCE END OF YEAR	<u>\$1,144,000</u>	<u>\$1,094,000</u>	<u>(\$50,000)</u>

Reconciliation, Statement A

Budget fees, fee credits	150,000
Current year encumbrances included in expenditures	100,000
Amounts paid but not budgeted in current year	(200,000)
Total Budget Fund Balance, Statement A	<u>\$1,144,000</u>

(1) Budget includes fund balance carried over from prior years. It is not a source of the current year, but is presented as revenue only for budgetary reporting purposes.

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS



LEGISLATIVE AUDITOR

LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Legislative Auditor is a state audit organization for the State of Louisiana, within the legislative branch of state government. The Legislative Auditor is responsible for audits and examinations of the records and accounts of all public boards and commissions and any agency, department, or political subdivision of the state, as provided by Louisiana Revised Statutes 34:511-521. The Legislative Auditor is authorized by Article III, Section 11 of the Louisiana Constitution of 1974.

The Legislative Auditor has audit responsibility for some 3,500 units of state and local government and quasi-public corporations, some of which are audited by certified public accountants with oversight and monitoring provided by the Legislative Auditor. The auditor's main office is located in Baton Rouge, Louisiana, with area offices located in New Orleans and Shreveport. The Legislative Auditor employs 220 staff members, including auditors, data processing personnel, an actuary, an attorney, and various administrative personnel. The auditor's operations are funded through an annual taxing legislative appropriation.

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Legislative Auditor) to be the State of Louisiana. The accompanying financial statements of the Legislative Auditor contain sub-account information of the General Fund and account groups of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The Legislative Auditor's General fund contains two sub-funds, the General Appropriation Fund and Auxiliary Enterprise Fund.

LEGISLATIVE AUDITOR

A. FUND ACCOUNTING

The Legislative Auditor uses fund accounting (separate sets of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The funds presented in the accompanying financial statements, and as described below, comprise the General Fund and account groups of the Legislative Auditor:

General Appropriation Fund

The General Appropriation Fund accounts for the appropriated operating revenues, transfers, and expenditures of the Legislative Auditor. All appropriated revenues are deposited into this fund from which operating expenditures are made.

Auxiliary Fund

The Auxiliary Fund (which has a legal name of Auxiliary Enterprise Fund) was established to provide a source of working capital to the Legislative Auditor for audits in which the Legislative Auditor is authorized to charge audit fees for certain state and local audits. These fees are not billable until the end of the examination; therefore, the fund is used as a source of working capital during the audit until such time as the audit fees are billed or costs allocated, collected, and available to fund operations.

The Legislative Auditor is also authorized to allocate costs relating to state government to state agencies. Those allocated costs are accounted for within the Auxiliary Fund. All miscellaneous revenues are also recorded in the Auxiliary Fund. The annual appropriation act authorizes budgeted transfers from this fund to the General Appropriation Fund.

Account Groups

The account groups are a reporting device designed to provide accountability for certain long-term assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a modified accrual basis of accounting.

LEGISLATIVE AUDITOR

Revenues

The state General Fund appropriation is recognized when appropriated. Audit fees are recognized when the audit fees are earned. Allocated state costs are recognized in the year allocated. Miscellaneous revenues are recognized when earned.

Transfers are recognized upon the actual transfer of funds.

Expenditures

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Statement C is not intended to reflect operations of the Legislative Auditor in accordance with generally accepted accounting principles in that (1) salaries and related benefits are recognized when paid unless specific authorization is provided in the annual legislative appropriation and (2) encumbrances are recorded as an expenditure when purchase orders are issued. The statement is intended to compare the annual budget, which is not prepared in accordance with generally accepted accounting principles, with comparable expenditures and encumbrances for the period.

G. FIXED ASSETS

The accompanying statements reflect furniture, fixtures, and equipment used by the Legislative Auditor, and funded by the legislative appropriation, in daily operations. These assets are recorded at cost in the General Fixed Asset Account Group. Fixed assets are not depreciated.

The accompanying statements do not include the value of land and buildings provided without cost to the Legislative Auditor by the State of Louisiana. These assets are recorded with the annual financial statements of the State of Louisiana.

D. BUDGETARY PRACTICES

The legislative appropriation made for the general operations of the office is an annual, lapsing appropriation. Amounts not expended or encumbered as September 1, 1997, revert to the General Fund of the State of Louisiana or to the Auxiliary Fund. Amendments to the budget must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council.

LEGISLATIVE AUDITOR

Transfers from the Ancillary Fund are limited by the legislative appropriation and any agreement that would increase the amount of the authorized transfer must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council. Transfers between the expenditure classification on Statement C may be authorized by the Legislative Auditor.

In addition to the amount appropriated for general operations of the Legislative Auditor reflected on Statement C, the legislature appropriated \$380,000 to the Legislative Auditor for the 1996-97 budget year to establish, if needed, working capital for the Ancillary Fund. The appropriation was not drawn by the Legislative Auditor and is not reflected as a revenue (or budgeted revenue) on Statements B or C in that the Legislative Auditor has not historically drawn such amount to fund operations.

E. ENCUMBRANCES

Encumbrance accounting is used for the General Appropriation Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current-year appropriation and are reflected on Statement C.

F. LEAVE BENEFITS

Accumulated unpaid annual, sick, and compensatory leave are reported in the General Long-Term Obligation Account Group within the accompanying financial statements. The office's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the office's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 1997, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C80.105, total \$1,028,832.

The following are the changes in compensated absences (and general long-term debt) during the year:

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Balance July 1, 1997	Net Change	Balance June 30, 1997
\$92,213	\$46,278	\$1,208,882

Q. POSTRETIREMENT BENEFITS

The Legislative Auditor provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the Legislative Auditor. These benefits for retirees and similar benefits for active employees are provided through the state's Group Benefits Program, whose monthly premiums are paid jointly by the employee and the Legislative Auditor. The Legislative Auditor recognizes the cost of providing these benefits as an expenditure in the year paid. For the year ended June 30, 1997, the employer's cost of retiree benefits totaled \$184,857 for 79 retirees and their spouses, funded through the legislative appropriation. Retirees pay one-half their health benefits.

RL. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position. Neither is such data comparable to a consolidation.

2. RETIREMENT SYSTEM

Plan Description Substantially all employees of the Legislative Auditor are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-0213, or by calling (504) 522-0900.

Funding Policy Plan members of the Legislative Auditor are required by state statute to contribute 7.5 percent of their annual covered salary and the office (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.4 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation

LEGISLATIVE AUDITOR

and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Legislative Auditor's employer contributions to LASERS for the years ending June 30, 1997, 1996, and 1995, were \$905,623, \$895,852, and \$917,652, respectively, and were equal to the required contributions for each year.

3. RECEIVABLES

Billed, but uncollected, audit allocations and fees are reflected net of an allowance for uncollectibles on the balance sheet. Gross allocations and fees were \$78,829, less the allowance of \$8,908, leaving a net receivable of \$70,919.

4. ANCILLARY FUND BALANCE

Under the provisions of the annual appropriation act, the Louisiana Legislature established the Ancillary Fund as a working capital reserve. The year-end balance within the fund is available to fund future year expenditures of the office to the extent appropriated each year by the legislature.

5. FURNITURE, FIXTURES, AND EQUIPMENT

At June 30, 1997, the Legislative Auditor has an inventory totaling \$2,642,048 of furniture, fixtures, and equipment or movable property. The following summarizes transactions during the year:

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Movable property	\$2,275,076	\$368,423	\$91,454	\$2,642,048

The Legislative Auditor has fully complied with the provisions of Louisiana Revised Statute Title 38 as it relates to movable property.

6. LEASE AGREEMENTS

The Legislative Auditor has operating lease agreements for office space in New Orleans and Shreveport. These leases extend through 1998. These lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Rental and lease expenditures for the year totaled \$43,236.

7. CASH IN BANK AND STATE TREASURY

The Legislative Auditor maintains cash accounts (book balances) as follows:

LEGISLATIVE AUDITOR

Bank	Fund	Balance
City National Bank	General	\$610,400
City National Bank	Payroll Account	None

In addition, the Legislative Auditor maintains accounts with the Louisiana Department of Treasury.

Under state law, the Legislative Auditor may deposit funds with a fiscal agent bank selected and designated by the interim Emergency Board. These public deposits 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 bank. These pledged securities are held in the name of the pledging fiscal agent bank (Category 3) in a holding or custodial bank with safekeeping receipts held by the state treasurer. The bank deposits at June 30, 1997, are secured as follows:

	Bank Balance	FDIC Insurance	Pledged Securities
Account balances	\$656,710	\$100,000	\$1,010,668

Deposits held in the state treasury are secured under similar arrangements by the state treasurer.

B. LITIGATION, CLAIMS, AND SIMILAR CONTINGENCIES

Losses arising from litigation, claims, and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims, and similar contingencies are not recognized in the accompanying financial statements.

At June 30, 1997, the Legislative Auditor is involved in various lawsuits relating to his function as the state auditor. In the opinion of legal counsel, resolution of the litigation would not result in substantial liability to the Legislative Auditor (or State of Louisiana) and, accordingly, is not recorded in the accompanying financial statements.

C. PROFESSIONAL SERVICES

Professional services, reported on Statement B, include the following professional fees:

IBM Services (computer advisory services)	\$1,670
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LEGISLATIVE AUDITOR

10. DEFERRED COMPENSATION PLAN

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the state (without being restricted to the provisions of benefits under the plan), subject only to the claims of the state's general creditors. Participants' rights under the plan are equal to those of general creditors of the state in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of legal counsel that the state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary, prudent investor. The state believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Amounts relating to the Louisiana Public Employees' Deferred Plan, which would include participation by certain employees of the Legislative Auditor, are included within the financial statements of the State of Louisiana.

11. OTHER COSTS

The State of Louisiana, through other appropriations, provides office space, utilities, and janitorial services for the main office in Baton Rouge, all of which are not included in the accompanying financial statements.

12. ALLOCATION

State law allows the Legislative Auditor to allocate accounting, audit and other costs associated with state government. The legislative appropriation for 1986-87 authorized the Legislative Auditor to allocate up to \$5,100,000 of such costs to state agencies.

Schedules



LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GENERAL FUND
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS

Balance Sheet, June 30, 1997

	GENERAL APPROPRIATION FUNDS	ANCILLARY FUNDS	TOTAL GENERAL FUNDS
ASSETS			
Cash in bank	\$415,403		\$415,403
Cash in state treasury—monies of financing		\$1,814,768	1,814,768
Accounts receivable:			
Travel advances	230		230
Miscellaneous	30	1,760	1,840
Accounts receivable and fees receivable:			
Billed, but uncollected, allowances and fees (net)		70,818	70,818
Billed fees, but unbilled		120,833	120,833
Prepaid expenses	2,850		2,850
TOTAL ASSETS	\$418,413	\$1,906,419	\$1,927,231
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$331,445		\$331,445
Accrued salaries and related benefits	407,822		407,822
Total Liabilities	\$739,267		\$739,267
Fund balances:			
Reserve for encumbrances	188,028		188,028
Fund balance (deficit)	(418,754)	1,200,443	781,689
Total Fund Balances	(230,726)	1,200,443	\$969,717
TOTAL LIABILITIES AND FUND BALANCES	\$508,541	\$1,200,443	\$1,927,231

The accompanying notes are an integral part of this schedule.

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GENERAL FUND
BILLS APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 1997**

	GENERAL APPROPRIATION FUND	AUXILIARY FUND	TOTAL GENERAL FUND
REVENUES			
State General Fund appropriation	\$1,680,134		\$1,680,134
Arbit. fees and allocations		10,262,817	1,262,817
Interest		24,808	24,808
Miscellaneous		1,285	1,285
Miscellaneous		88	88
Total Revenues	<u>1,680,134</u>	<u>1,289,008</u>	<u>2,969,142</u>
EXPENDITURES			
Personal services	9,812,181		9,812,181
Taxes	408,483		408,483
Operating services	523,744		523,744
Supplies	47,866		47,866
Professional services	1,978		1,978
Capital outlay	555,559		555,559
Total expenditures	<u>11,858,311</u>		<u>11,858,311</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(1,178,177)</u>	<u>1,289,008</u>	<u>(88,169)</u>
OTHER FINANCING SOURCE AND USES			
Transfers to the Auxiliary Fund	(188,048)	188,048	
Transfers from Auxiliary Fund	1,289,008	(1,289,008)	
Total Other Financing Source and Uses	<u>1,100,960</u>	<u>(1,100,960)</u>	
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USES	<u>(77,217)</u>	<u>(81,952)</u>	<u>(159,169)</u>
BEGINNING OF THE YEAR FUND BALANCE	<u>1,119,678</u>	<u>1,261,828</u>	<u>2,381,506</u>
END OF THE YEAR FUND BALANCE (deficit)	<u>(65,949)</u>	<u>1,179,876</u>	<u>1,113,927</u>

The accompanying notes are an integral part of this statement.

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

FINANCIAL STATEMENTS

June 30, 1997



2200 Baker Plaza, Suite 200, Baton Rouge, Louisiana 70801, Phone (504) 376-1371 Telex/tele (504) 371-6225

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the Legislative Auditor's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements of the Legislative Auditor, State of Louisiana, are intended to present the financial position and the results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Auditor, State of Louisiana, as of June 30, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 14 and 15 are presented for the purposes of additional analysis and are not a required part of the financial statements of the Legislative Auditor, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated August 12, 1999 on our consideration of the Legislative Auditor, State of Louisiana's internal control structure and a report dated August 12, 1999 on its compliance with laws and regulations.

The financial statements for the year ended June 30, 1996 were audited by us, and we expressed an unqualified opinion on them in our report dated September 13, 1996.

PROYOST, SALTER, HARPER & ALFORD, L.L.C.

Francis S. Salter, Manager & Director, L.L.C.

August 12, 1999

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated August 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Legislative Auditor is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to

determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reproducible condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Legislative Auditor, State of Louisiana, management, the Legislative Budgetary Control Council and the Legislative Audit Advisory Council. However, this report is a matter of public record, and its distribution is not limited.

FROVOST, SALTER, HARPER & ALFORD, L.L.C.

Frovost, Salter, Harper & Alford, L.L.C.

August 12, 1997

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT ACCOUNTING STANDARDS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated August 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Legislative Auditor is the responsibility of the Legislative Auditor's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Legislative Auditor's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Legislative Auditor, State of Louisiana, management, the Legislative Budgetary Control Council and the Legislative Audit Advisory Council. However, this report is a matter of public record and its distribution is not limited.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.
August 12, 1997