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## LEGISLATIVE AUDITOR



1988

## FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, state 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.

Please Date 8/15/88 4, 1988

## **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, 1998**

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BAYOU BOULEVARD, LOUISIANA 70801-0001

DANIEL G. KYLE, JR., CPA, CFE  
LEGISLATIVE AUDITOR

October 20, 1998

1400 BAYOU BOULEVARD, SUITE 1000  
MONROE, LOUISIANA 70133  
TEL: (504) 221-1800  
FAX: (504) 221-1800

Honorable Randy L. Curing, President  
of the Louisiana Senate  
Honorable H. B. "Bud" Downs, Jr., Speaker  
of the Louisiana House of Representatives  
Honorable Ronald C. Bean, Chairman  
of the Legislative Audit Advisory Council

In accordance with Louisiana Revised Statute 24:114, the annual financial statements of the Legislative Auditor as of and for the year ended June 30, 1998, are submitted herewith. The objectives of these statements are to present our financial condition and results of operations in accordance with generally accepted accounting principles, as well as reflect compliance with the annual legislative appropriation for the General Appropriation Fund. I believe the accompanying financial statements to be accurate, in all material respects, and to accurately reflect the financial activities of my office as of and for the year ended June 30, 1998.

Annually, the Legislative Auditor is audited by a certified public accounting firm selected by the President of the Louisiana Senate and the Speaker of the Louisiana House of Representatives. Copies of those audits are available for public inspection within my office. The accompanying financial statements include the reports of our independent certified public accountants for the 1998 year.

My staff and I are available to respond to your inquiries and the needs of state and local governments.

Respectfully submitted,

  
Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DDK/GCA:dl

cc: Mr. Michael S. Bass III  
Mr. A. W. Spear  
Division of Administration

**LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**ANNUAL FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 1998**

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**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, 1998, 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 94307  
Baton Rouge, LA 70804-0307

Sworn to and subscribed before me, this the 30th day of August 1998.

  
NOTARY PUBLIC

**LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS**

**Balance Sheet, June 30, 1995**

|  | ASSETS                   |                    |                    |                    |
|--|--------------------------|--------------------|--------------------|--------------------|
|  | COMBINED<br>GENERAL FUND | APPROPRIATED       |                    | TOTAL              |
|  |                          | GENERAL FUND       | OTHER FUNDS        |                    |
|  | June 30, 1995            | June 30, 1995      | June 30, 1995      | June 30, 1995      |
| <b>FIXED AND INVESTMENT</b>                            |                          |                    |                    |                    |
| Due interest   | \$671,636                |                    |                    | \$671,636          |
| Due interest receivable on Banking accounts maintained | \$6,439                  |                    |                    | \$6,439            |
| Due on hand  | 1,000                    |                    |                    | 1,000              |
| Fixed accounts   | 881                      |                    |                    | 881                |
| Accounts receivable                                    | 297                      |                    |                    | 297                |
| Due on advances and receivable                         |                          |                    |                    |                    |
| Warrant for uncollected, delinquent and late fees      | 25,000                   |                    |                    | 25,000             |
| Fixed fee receivable                                   | 79,000                   |                    |                    | 79,000             |
| Fixed expense  | 43                       |                    |                    | 43                 |
| Future, interest, and expense                          |                          | \$2,014,491        |                    | \$2,014,491        |
| Other due - interest and proceeds                      |                          |                    |                    |                    |
| Interest advanced for prior periods                    |                          |                    | \$1,049,700        | \$1,049,700        |
| <b>TOTAL FIXED AND INVESTMENT</b>                      | <b>\$1,179,196</b>       | <b>\$2,014,491</b> | <b>\$1,049,700</b> | <b>\$4,243,387</b> |
| <b>CURRENT RECEIVABLES AND OTHER FUNDS</b>             |                          |                    |                    |                    |
| Due interest   | \$65,000                 |                    |                    | \$65,000           |
| Due on hand  | 54,000                   |                    |                    | 54,000             |
| Due on advances and receivable                         |                          |                    |                    |                    |
| Prepaid expenses                                       |                          |                    | \$1,540,000        | \$1,540,000        |
| Due on hand  | \$19,000                 |                    | \$1,000,000        | \$1,019,000        |
| Due on advances and receivable                         |                          | \$1,000,000        |                    | \$1,000,000        |
| Due on hand  | 100,000                  |                    |                    | 100,000            |
| Due on advances and receivable                         | 400,000                  |                    |                    | 400,000            |
| Due on hand  | 20,000                   |                    |                    | 20,000             |
| Due on advances and receivable                         |                          |                    |                    |                    |
| <b>TOTAL CURRENT RECEIVABLES AND OTHER FUNDS</b>       | <b>\$619,000</b>         | <b>\$1,000,000</b> | <b>\$1,540,000</b> | <b>\$2,159,000</b> |

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
GOVERNMENTAL FUND  
1998-1999 FISCAL YEAR

Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Years Ended June 30, 1998 and 1997

|  | GENERAL FUND        |                   |
|--|---------------------|-------------------|
|  | For the Years Ended |                   |
|  | June 30, 1998       | June 30, 1997     |
| <b>REVENUES</b>  |                     |                   |
| State-General Fund Appropriation   | \$3,949,623         | \$3,680,796       |
| Raffle fees and allocations  | 3,821,684           | 5,982,817         |
| Interest   | 212,116             | 24,828            |
| Miscellaneous  | 3,500               | 3,386             |
| Minor Revenues   |                     | 93                |
| Total Revenues   | <u>11,984,523</u>   | <u>11,711,719</u> |
| <b>EXPENDITURES</b>  |                     |                   |
| Personnel services   | \$6,117,721         | \$6,112,593       |
| Taxes  | 345,800             | 488,405           |
| Operating services   | 454,298             | 125,244           |
| Supplies   | 67,827              | 47,066            |
| Professional services  | 28,548              | 1,379             |
| Capital outlay   | 658,790             | 143,349           |
| Expenses   | 2,493               |                   |
| Total Expenditures   | <u>12,279,487</u>   | <u>11,379,139</u> |
| <b>EXCESS (Deficiency) OF REVENUES<br/>OVER EXPENDITURES</b>                         | (294,964)           | (667,420)         |
| <b>OTHER FINANCING USE</b>   | None                | None              |
| <b>EXCESS (deficiency) OF REVENUES OVER<br/>EXPENDITURES AND OTHER FINANCING USE</b> | (294,964)           | (667,420)         |
| <b>BEGINNING OF THE YEAR FUND BALANCE</b>  | <u>847,880</u>      | <u>1,111,288</u>  |
| <b>END OF THE YEAR FUND BALANCE</b>  | <u>(47,084)</u>     | <u>(44,132)</u>   |

**LEGISLATIVE AUDITORS  
STATE OF ILLINOIS  
GENERAL FUND**

**Statement of Revenues, Expenditures and  
Reconciliations, and Changes in Fund Balance -  
Budget (Legal Basis) and Actual  
For the Year Ended June 30, 2008**

|  | BALANCE           |                   | CHANGE             |
|--|-------------------|-------------------|--------------------|
|  | BUDGET            | ACTUAL            |                    |
| <b>REVENUES APPROPRIATED IN LEGISLATION:</b>                     |                   |                   |                    |
| State Control Total  | 10,000,000        | 10,000,000        |                    |
| Audit fees and self-insurance amounts                            | (4,000,000)       | 1,000,000         | (5,000,000)        |
| Free cash balance at 1/1   |                   | 1,000,000         | 1,000,000          |
| Total Revenues   | <u>12,000,000</u> | <u>11,000,000</u> | <u>(1,000,000)</u> |
| <b>EXPENDITURES AND ENCUMBRANCES</b>                             |                   |                   |                    |
| Administrative   | 10,000,000        | 10,000,000        | (20,000)           |
| Travel   | 10,000            | 10,000            | (2,000)            |
| Operating services   | 40,000            | 40,000            | 1,000              |
| Supplies   | 50,000            | 50,000            | 1,000              |
| Professional services  | 10,000            | 10,000            |                    |
| Bad debts  |                   | 1,000             | (1,000)            |
| Capital outlay   | 10,000            | 10,000            | 1,000              |
| - encumbrances and obligations                                   | <u>10,000,000</u> | <u>10,000,000</u> | <u>20,000</u>      |
| <b>EXCESS OF EXPENDITURES AND<br/>ENCUMBRANCES OVER REVENUES</b> |                   | <u>(10,000)</u>   | <u>(10,000)</u>    |
| <b>FUND BALANCE BEGINNING OF THE YEAR</b>                        | <u>1,000,000</u>  | <u>1,000,000</u>  | <u>(10,000)</u>    |
| <b>FUND BALANCE END OF YEAR</b>                                  | <u>\$ 990,000</u> | <u>\$ 990,000</u> | <u>\$ 990,000</u>  |

**Reconciliations, Statement A**

|   |                  |
|---|------------------|
| Current year, but unbillable                          | 10,000           |
| Current year encumbrances to be added to expenditures | 10,000           |
| Age and partial bill budgeted in current year         | <u>(10,000)</u>  |
| Total Ending Encumbrances - Statement A               | <u>\$ 10,000</u> |

(1) Budget includes fund balance encumbrances from prior years. It is a statement of the current year, but is presented as a review only for budgetary reporting purposes.

See accompanying notes as an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS



**LEGISLATIVE AUDITOR  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1998

**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 24:511-527. 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 229 staff members, including auditors, data processing personnel, an actuary, an attorney, and various administrative personnel. The auditor's operations are funded through an annual lapping 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.

#### Ancillary Fund

The Ancillary Fund (which has a legal name of Ancillary 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. These allocated costs are accounted for within the Ancillary Fund. All miscellaneous revenues are also recorded in the Ancillary 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.

#### Revenues

## LEGISLATIVE AUDITOR

The same General Fund appropriation is recognized when appropriated. Audit fees are recognized when the audit fees are billed. 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.

## C. 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 at September 1, 1998, revert to the General Fund of the State of Louisiana or to the Ancillary Fund. Amendments to the budget must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council.

Transfers from the Ancillary Fund are limited by the legislative appropriation and any amendment that would increase the amount of the authorized transfer must

## LEGISLATIVE AUDITOR

be approved by the Legislative (Bicameral) 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 \$350,000 to the Legislative Auditor for the 1997-98 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. This compensatory leave may be used similarly to annual or sick leave. At June 30, 1998, 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 288.135, total \$1,041,304.

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

| Balance<br>July 1, 1997 | Net<br>Change | Balance<br>June 30, 1998 |
|-------------------------|---------------|--------------------------|
| \$1,008,682             | \$32,621      | \$1,041,304              |

**G. 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, 1998, the employer's cost of retiree benefits totaled \$167,505 for 74 retirees and their spouses, funded through the legislative appropriation. Retirees pay one-half their health benefits.

**H. TOTAL COLUMN ON BALANCE SHEET**

The total column on the balance sheet is captioned Memorandum Only (provided) 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.

**3. 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 70824-4213, or by calling (504) 922-0860.

**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 13 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 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, 1995, 1997, and 1998, were \$1,055,739, \$958,823, and \$650,800, respectively, and were equal to the required contributions for each year.

**LEGISLATIVE AUDITOR****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 \$36,694, less the allowance of \$5,200, leaving a net receivable of \$31,494.

**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, 1968, the Legislative Auditor has an inventory totaling \$3,014,095 of furniture, fixtures, and equipment or movable property. The following summarizes transactions during the year:

|                  | <u>Balance</u><br>July 1, 1967 | Additions | Deletions | <u>Balance</u><br>June 30, 1968 |
|------------------|--------------------------------|-----------|-----------|---------------------------------|
| Movable property | \$2,842,046                    | \$276,455 | \$104,406 | \$3,014,095                     |

The Legislative Auditor has fully complied with the provisions of Louisiana Revised Statute Title 39 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 1968. These lease agreements have non-appropriation recapture 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 \$43,352.

**7. CASH IN BANK AND STATE TREASURY**

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

| <u>Bank</u>        | <u>Fund</u>     | <u>Balance</u> |
|--------------------|-----------------|----------------|
| City National Bank | General         | \$871,124      |
| City National Bank | Payroll Account | None           |

## LEGISLATIVE AUDITOR

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 subtreasury receipts held by the state treasurer. The bank deposits at June 30, 1985, are secured as follows:

|                  | (Collected)<br>Bank<br>Balances | FDIC<br>Insurance | Pledged<br>Securities |
|------------------|---------------------------------|-------------------|-----------------------|
| Account Balances | \$733,021                       | \$100,000         | \$880,000             |

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, 1985, 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.

### B. PROFESSIONAL SERVICES

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

|   |          |
|---|----------|
| Chertomer (computer programming services) | \$20,560 |
|---|----------|

### 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

## LEGISLATIVE AUDITOR

not available to employees until termination, retirement, death, or unforeseeable emergency.

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, holding these assets in a fiduciary capacity. 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 1997-98 authorized the Legislative Auditor to allocate up to \$5,000,000 of such costs to state agencies.

## Schedules



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

Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 1998

|   | GENERAL<br>APPROPRIATIONS<br>FUNDS | ANCILLARY<br>FUNDS | TOTAL<br>ORIGINAL FUNDS |
|---|------------------------------------|--------------------|-------------------------|
| <b>REVENUES</b>   |                                    |                    |                         |
| State General Fund appropriations   | \$1,000,000                        |                    | \$1,000,000             |
| Asset fees and allocations  |                                    | \$1,501,854        | \$1,501,854             |
| Interest  |                                    | 31,376             | 31,376                  |
| Permitting  |                                    | 7,000              | 7,000                   |
| <b>Total Revenues</b>   | <b>1,000,000</b>                   | <b>1,540,230</b>   | <b>2,540,230</b>        |
| <b>EXPENDITURES</b>   |                                    |                    |                         |
| Personal services   | 10,811,724                         |                    | 10,811,724              |
| Taxes   | 54,580                             |                    | 54,580                  |
| Operating services  | 481,238                            |                    | 481,238                 |
| Supplies  | 67,000                             |                    | 67,000                  |
| Professional services   | 13,500                             |                    | 13,500                  |
| Materials   |                                    | 3,431              | 3,431                   |
| Capital outlay  | 552,700                            |                    | 552,700                 |
| <b>Total Expenditures</b>   | <b>12,073,762</b>                  | <b>3,431</b>       | <b>12,077,193</b>       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>                                    |                                    |                    |                         |
|   | <b>(2,073,762)</b>                 | <b>(1,943,232)</b> | <b>(4,016,994)</b>      |
| <b>OTHER FINANCING SOURCE AND USE</b>   |                                    |                    |                         |
| Transfer to Ancillary Fund  | (11,276)                           | 11,276             |                         |
| Transfer from Ancillary Fund  | \$1,000,000                        | (\$1,000,000)      |                         |
| <b>Total Other Financing Source and Use</b>   | <b>988,724</b>                     | <b>(\$988,724)</b> |                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER SOURCE OVER EXPENDITURES<br/>AND OTHER USE</b> |                                    |                    |                         |
|   | <b>(108,014)</b>                   | <b>(934,680)</b>   | <b>(1,042,694)</b>      |
| <b>BEGINNING OF THE YEAR FUND BALANCE</b>   |                                    |                    |                         |
|   | <b>(91,974)</b>                    | <b>1,201,038</b>   | <b>1,109,064</b>        |
| <b>END OF THE YEAR FUND BALANCE (Deficit)</b>   |                                    |                    |                         |
|   | <b>\$18,817</b>                    | <b>\$266,358</b>   | <b>\$285,175</b>        |

The accompanying notes are an integral part of this schedule.

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

Balance Sheet, June 30, 1998

|   | GENERAL<br>APPROPRIATION<br>FUND | ANCILLARY<br>FUND | TOTAL<br>GENERAL FUND |
|---|----------------------------------|-------------------|-----------------------|
| <b>ASSETS</b>                                       |                                  |                   |                       |
| Cash in hand  | \$671,034                        |                   | \$671,034             |
| Cash in state treasury—means of financing           |                                  | \$534,558         | \$534,558             |
| Accounts receivable:                                |                                  |                   |                       |
| Arrears interest                                    |                                  | 2,008             | 2,008                 |
| Travel advances                                     | 694                              |                   | 694                   |
| Miscellaneous                                       | 167                              |                   | 167                   |
| Audit allocations and fees receivable:              |                                  |                   |                       |
| Billed, but uncollected, allocations and fees (net) |                                  | 31,494            | 31,494                |
| Earned fees, but unbilled                           |                                  | 95,886            | 95,886                |
| Prepaid expenses                                    | 40                               |                   | 40                    |
| <b>TOTAL ASSETS</b>                                 | <b>\$672,127</b>                 | <b>\$660,918</b>  | <b>\$1,333,045</b>    |
| <b>LIABILITIES AND FUND BALANCES</b>                |                                  |                   |                       |
| <b>Liabilities:</b>                                 |                                  |                   |                       |
| Accounts payable                                    | \$66,896                         |                   | \$66,896              |
| Accrued salaries and related benefits               | 246,384                          |                   | 246,384               |
| <b>Total Liabilities</b>                            | <b>313,280</b>                   |                   | <b>313,280</b>        |
| <b>Fund balances:</b>                               |                                  |                   |                       |
| Reserved for contingencies                          | 202,155                          |                   | 202,155               |
| Fund balance—miscellaneous                          | (296,394)                        | \$660,918         | 364,524               |
| <b>Total Fund Balances</b>                          | <b>90,761</b>                    | <b>660,918</b>    | <b>751,679</b>        |
| <b>TOTAL LIABILITIES AND FUND BALANCES:</b>         | <b>\$313,280</b>                 | <b>\$660,918</b>  | <b>\$1,333,045</b>    |

## Independent Auditor's Reports



**LEGISLATIVE AUDITOR  
STATE OF LOUISIANA**

**FINANCIAL REPORT**

**June 30, 1998**



1000 United States Bank Tower, Suite 900, Baton Rouge, Louisiana 70801. Phone: (225) 384-1100 / Louisiana (504) 387-0000

## 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, 1998, 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 1998 on our consideration of the Legislative Auditor, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

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 purpose of additional analysis and are not a required part of the financial statements of the Legislative

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING 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 accompanying financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 28, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Legislative Auditor, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Legislative Auditor, State of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

The financial statements for the year ended June 30, 1997 were audited by us, and we expressed an unqualified opinion on them in our report dated August 12, 1997.

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

*Provost, Salter, Harper & Alford, L.L.C.*

September 30, 1998