
LEGISLATIVE BUDGETARY CONTROL COUNCIL

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June 30, 1999

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Randy Ewing, Co-Chair
Honorable Huntington H. Downer, Jr., Co-Chair
Legislative Budgetary Control Council, State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Budgetary Control Council, 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 Council'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 *Governor 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 3, the financial statements of the Legislative Budgetary Control Council, State of Louisiana, are included to present the financial position and 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 Budgetary Control Council, 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 *Governor Auditing Standards*, we have also issued a report dated August 25, 1998 on our considerations of the Legislative Budgetary Control Council, 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 schedule on page 13 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Legislative Budgetary Control Council, 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.

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

Provost, Salter, Harper & Alford, L.L.C.
August 29, 1998

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Combined Balance Sheet

June 30, 1999

Fund Type and Account Group

	Governmental	Account Group	Totals (Intracouncil Only)
	Fund Type General	General Long Term Obligation	
ASSETS AND OTHER DEBIT			
Cash in hand	\$ 342,690	\$ -	\$ 342,690
Unexpended appropriations	7,581,924	-	7,581,924
Prepaid expenses	67,914	-	67,914
Other debits - amount to be provided for compensated absences	-	17,965	17,965
Total Assets and Other Debit	\$ 7,992,528	\$ 17,965	\$ 7,990,196
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 599,546	\$ -	\$ 599,546
Accrued salaries and related benefits	3,583	-	3,583
Due to other legislative agencies	45,463	-	45,463
Compensated absences	-	17,965	17,965
Total Liabilities	698,592	17,965	626,527
Fund Equity			
Fund Balance			
Reserved for encumbrances	6,444,351	-	6,444,351
Unreserved - undesignated	879,185	-	879,185
Total fund equity	7,283,739	-	7,283,739
Total Liabilities and Fund Equity	\$ 7,892,331	\$ 17,965	\$ 7,910,296

LEGISLATIVE BUDGETARY CONTROL COUNCIL

*Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund Type - General Fund*

Year Ended June 30, 1998

Revenues	
State appropriations	\$ 11,568,668
Interest	8,283
Other	1,363
	<hr/>
Total revenues	11,578,314
Expenditures	
Personal services	93,824
Operating services	464,951
Supplies	58,463
Professional services	2,698,674
Capital outlay	3,843,288
	<hr/>
Total expenditures	7,148,200
Excess of Revenues Over Expenditures	4,430,114
Other Financing Uses	
Interagency transfers out	<hr/> (118,100)
Excess of Revenues Over Expenditures and Other Financing Uses	4,312,014
Fund Balance	
Beginning	<hr/> 2,974,665
Ending	\$ 7,286,719 <hr/>

LEGISLATIVE BUDGETARY CONTROL COUNCIL

**Statement of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance**

Year Ended June 30, 1998

Budget (Legal Basis) and Actual - General Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State appropriations	\$ 11,568,868	\$ 11,568,868	\$ -
Interest income	-	8,283	8,283
Other	-	3,265	3,265
Nonappropriated fund balance (1)	481,282	481,282	-
Total revenues	<u>12,049,278</u>	<u>12,099,836</u>	<u>5,558</u>
Expenditures and Encumbrances			
Personal services	186,037	93,896	13,642
Operating services	336,568	464,991	(128,423)
Supplies	50,800	50,803	(3)
Professional services	2,886,783	2,678,624	388,159
Capital outlay	8,080,880	7,798,610	282,270
Total expenditures and encumbrances	<u>11,579,624</u>	<u>11,097,184</u>	<u>282,240</u>
Excess of Revenues Over Expenditures and Encumbrances	669,654	962,652	292,998
Other Financing Uses			
Emergency transfers out	(188,646)	(118,180)	70,466
Excess of Revenues Over Expenditures, Encumbrances and Other Financing Uses	481,282	844,552	362,956
Fund Balance			
Beginning	481,282	481,282	-
Less appropriated fund balance (1)	(481,282)	(481,282)	-
Ending	<u>\$ 481,282</u>	<u>\$ 844,552</u>	<u>\$ 362,956</u>
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures		6,444,330	
Accrued payroll not budgeted in current year		(4,165)	
Ending, GAAP basis		<u>\$ 7,280,716</u>	

(1) Budgets include savings and fund balances carried over from prior years to cover expenditures of the current year. This amount is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balances have been reduced by the carryover to reflect the budgetary ending fund balance reported.

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Notes to Financial Statements

June 30, 1999

1. Summary of Significant Accounting Policies

The Legislative Budgetary Control Council, State of Louisiana, created by Title 24, Section 38 of the Louisiana Revised Statutes, maintains rules and regulations designed to control the budget and spending procedures within the Legislative branch of government, approves budget requests for all legislative budget units and funds joint projects for the Legislature such as the joint computer operations, upkeep and renovations of the Capitol complex and funding of national legislative organizations.

The Council is composed of ten members and two employees.

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.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity. Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Legislative Budgetary Control Council) to be the State of Louisiana. The accompanying financial statements of the Legislative Budgetary Control Council contain sub-account information of the General Fund and account groups of the State of Louisiana. Annually, the State of Louisiana issues financial statements, which include the activity contained in the accompanying financial statements.

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

Governmental Fund Type.

General Fund. The General Fund is used to account for all of the Legislative Budgetary Control Council's general activities, including the servicing of general long term debt. It is used to account for all activities of the Council.

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Notes to Financial Statements, Continued

June 30, 1998

Account Group. The account group is 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.

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.

Accruals. The governmental fund is accounted for using the modified accrual basis of accounting. The revenues are recognized when they become measurable and available. The revenues susceptible to accrual are state appropriations and interest revenue.

The unencumbered appropriation and appropriation authorized and collected during the year are summarized as follows:

	Total Appropriation Authorized	Unencumbered Appropriation as of June 30, 1997	Appropriation Authorized for the year ended June 30, 1998	Funds Collected in the year ended June 30, 1998	Unencumbered Appropriation as of June 30, 1998
Art 744, 1955 R.S.	\$ 4,640,808	\$ 558,821	\$ -	\$ 408,821	\$ 140,000
Art 95, 1996 R.S.	5,007,270	2,958,122	-	2,958,122	-
Art 1453, 1997 R.S.	5,060,858	-	5,060,858	4,081,516	979,342
Art 28, 1957 R.S.	6,908,000	-	8,580,808	32,258	6,467,542
		\$ 3,506,943	\$11,640,665	\$ 7,480,617	\$ 7,580,884

Expenditures. Expenditures are generally 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 Budgetary Control Council, State of Louisiana in accordance with generally accepted accounting principles in that:

1. re-appropriated funds from prior years are recognized as revenues in the current year;
2. salaries and related benefits are recognized when paid unless specific authorization is provided in the annual legislative appropriation; and
3. encumbrances are recorded as an expenditure when purchase orders are issued.

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Notes to Financial Statements, Continued

June 30, 1998

The statement is intended to compare the annual budget, which is not prepared in accordance with generally accepted accounting principles with comparable expenditures for the period.

Budgetary Freedom. The Legislative Budgetary Control Council is required to submit to the members of the Council an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Legislative Budgetary Control Council is authorized to transfer budget amounts between accounts in the General Fund. Revisions that alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year end, and require that any amounts not expended or encumbered at the close of the fiscal year be returned to the State General Fund unless otherwise reappropriated by subsequent Legislative action. Current appropriation legislation authorizes such reappropriation of prior year funds.

The budget for the General Fund is prepared on the budgetary (legal) basis of accounting. In compliance with budgetary authorization, the Legislative Budgetary Control Council includes the prior year's fund balance represented by appropriate liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenue over expenditures.

Leave Benefits. Accumulated unpaid annual, sick and compensatory leave is reported in the General Long Term Obligation Account Group within the accompanying financial statements. The Legislative Budgetary Control Council, State of Louisiana's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the Legislative Budgetary Control Council's personnel practices. 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 annual 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, 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 604.003, total \$3,798.

The following are the changes in compensated absences (general long-term obligations) during the year.

Balance, July 1, 1997	Net Change	Balance, June 30, 1998
\$ 14,682	\$ 1,157	\$ 17,960

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Notes to Financial Statements, Continued

June 30, 1998

Total Columns are Balance Sheet. The total columns on the financial statements are captioned "unrestricted only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Insignificant eliminations have not been made in the aggregation of this data.

1. Cash in Bank

Under State law, the Legislative Budgetary Control Council may deposit funds in an approved bank located in the State selected and designated by the presiding co-chairmen of the Council. Federal deposit insurance or the pledge of securities that are owned by the fiscal agent bank must assure these public deposits. 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.

As June 30, 1998, the carrying amount of the Legislative Budgetary Control Council's cash account was \$242,493, and the bank balance was \$918,673. All cash was covered by federal depository insurance or pledged collateral held in the name of the pledging fiscal agent bank (category 3) in a holding or custodial bank.

2. Retirement System

Plan Description. All employees of the Council participate in the Louisiana State Employee's Retirement System (LASERS) which is a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. These plans provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and governed 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 reports may be obtained by writing to Louisiana State Employee's Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225) 922-0800.

Funding Policy. Plan members of the Legislative Budgetary Control Council, State of Louisiana are required by state statute to contribute 7.5% of their annual covered salary to LASERS, respectively and the Council (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 17% of annual covered payroll. The contribution requirements of plan members are established by, and 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

LEGISLATIVE BUDGETARY CONTROL COUNCIL

*Notes to Financial Statements, Continued**June 30, 1998*

State of Louisiana through the annual legislative appropriation funds the employer contribution. The Council's employer contributions to LASERS for the years ending June 30, 1996, 1997, and 1998 were as follows:

<u>June 30,</u>		
1998	\$	18,582
1997		8,893
1996		8,815

4. Deferred Compensation Plan

The State of Louisiana offers its employees a deferred compensation plan created in accordance with Internal Revenue Code § 457. The plan, available to all State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or substantial disability.

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 (and) 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 the State's 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.

5. 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, 1998, the Council was involved in various lawsuits relating to its function as the Legislative Budgetary Control Council. In the opinion of legal counsel, resolution of the litigation would not result in substantial liability to the Legislative Budgetary Control Council and accordingly, is not recorded in the accompanying financial statements.

LEGISLATIVE BUDGETARY CONTROL COUNCIL

*Notes to Financial Statements, Continued**June 30, 1998***6. Professional Services**

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

Public Systems Associates (computer services)	\$ 2,502,536
Fredericson & McIverville	8,651
Freeman, Sabin, Harper & Afield, L.L.C. (accounting and auditing)	47,711
Capital City-Casual Reinsurer	319
May Law Craft	7,684
Charles E. Nehring & Associates (architectural)	100,714
Tom Architects (architectural)	31,112
	\$ 2,698,024

7. Interagency Transfers Out

Amounts paid to other governmental units for the year ended June 30, 1998, consist of the following:

	Capital Outlay	Personal Service	Total
Joint Legislative Committee on the Budget	\$ -	\$ 34,156	\$ 34,156
House of Representatives	11,237	28,969	40,206
Senate	38,129	15,989	54,118
	\$ 49,366	\$ 79,114	\$ 128,480

8. Other Costs

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

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Supplementary Information

June 28, 1998

LEGISLATIVE BUDGETARY CONTROL COUNCIL*Schedule of Expenditures, Encumbrances and* *Year Ended June 30, 1998**Other Financing Uses**Budget (Legal Basis) and Actual - General Fund*

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures and Encumbrances			
Fees for national and regional organizations	\$ 212,804	\$ 206,662	\$ 61,420
Joint capital outlay committee	166,157	93,585	72,572
Huey P. Long Memorial Library	80,800	26,677	54,123
Joint computer services	2,677,166	2,619,710	57,456
Postage for committee notices	5,800	88	5,712
Joint support services	159,617	57,715	101,902
Capital Police	-	47,135	(47,135)
Operating services	18,500	202,449	(183,949)
Professional services	80,000	86,262	(6,262)
David R. Poynor Memorial Library	41,800	-	41,800
Capital outlay	8,080,000	7,809,372	270,628
Less capital outlay transfer out	-	(28,490)	28,490
Total expenditures and encumbrances	11,579,624	11,697,183	(117,559)
Other Financing Uses			
Intragency transfer out	188,644	118,200	70,444
Total Expenditures, Encumbrances and Other Financing Uses	\$ 11,768,268	\$ 11,815,383	\$ (47,115)



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 ACCOUNTING STANDARDS

Honorable Randy Ewing, Co-Chair
Honorable Huntington B. Dwyer, Jr., Co-Chair
Legislative Budgetary Control Council, State of Louisiana
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Legislative Budgetary Control Council, State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 25, 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 Budgetary Control Council, State of Louisiana's general purpose 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of compliance finding and recommendation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Budgetary Control Council, 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 general purpose 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 accounts that would be material in relation to the general purpose 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 found no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Casualty management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

Francis, Salter, Harper & Alford, L.L.C.
August 25, 2008

LEGISLATIVE BUDGETARY CONTROL COUNCIL.

Schedule of Compliance Finding and Recommendations

June 30, 1998

Finding. Audit Report Was Not Delivered Within Six Months of the Close of the Fiscal Year

Condition. The audit report was not completed within six months of the close of the fiscal year.

Criteria. State law requires that audits be completed within six months of the close of the entity's fiscal year.

Effect. The effect was to cause the audit to be delayed beyond the six months of the close of the fiscal year.

Cause. Information requested by the Auditor was not received until after six months from the close of the fiscal year.

Recommendation. The entity should make every effort to monitor the progress of the audit to insure the timely completion of the engagement.

Auditor Response. We acknowledge that the audit for the fiscal year ending June 30, 1998 was not released in a timely manner. In the future, the leadership and staff will make a concerted effort to comply with the six-month time frame for completing and releasing all audits of the financial statements for the Council.

LEGISLATIVE BUDGETARY CONTROL COUNCIL

Independent Auditor's Comments on Resolution

Year Ended June 30, 1998

Of Prior Audit Findings

The compliance finding on page 16 was not reported in the prior year's audit. There were no other prior year audit findings for which the Legislative Budgetary Control Council has not implemented the corrective action recommended.