

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Recovery District
State of Louisiana
Baton Rouge, Louisiana

September 24, 1997

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Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of September 30, 1995, and for the
Period July 1, 1995,
Through September 30, 1996**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

September 24, 1997

LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA

General Purpose Financial Statements
and Independent Auditor's Reports
As of September 30, 1999, and
for the Period July 1, 1999,
Through September 30, 1999

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BAYOU BOULEVARD, LOUISIANA 70804-9197

BRANTLEY G. BELL, PH.D., CPA, CFF
LEGISLATIVE AUDITOR

1997 NOV 19 10 00AM 11 01 01
POST OFFICE BOX 14 447
MONROE, LA 70002
TELEPHONE: (225) 334-5600
FACSIMILE: (225) 334-4770

July 9, 1997

Independent Auditor's Report
on the Financial Statements

**BOARD OF DIRECTORS OF THE
LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the accompanying general purpose financial statements of the Louisiana Recovery District, a component unit of the State of Louisiana, as of September 30, 1996, and for the period July 1, 1995, through September 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana Recovery District. 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. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Recovery District as of September 30, 1996, and the results of operations for the period July 1, 1995, through September 30, 1996, in conformity with generally accepted accounting principles.

As discussed in note 10, Bond Defeasance, the Louisiana Recovery District adopted a resolution on June 14, 1996, authorizing the defeasance of the district's outstanding bonds, and the district commenced to set forth the defeasance plan on July 1, 1996. On September 30, 1996, the defeasance of all outstanding bonds was finalized, all funds were transferred to the escrow trustee for the retirement of the bonds, and the district ceased to exist.

LEGISLATIVE AUDITOR

BOARD OF DIRECTORS OF THE
LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA

Audit Report, July 9, 1997

In accordance with Government Auditing Standards, we have also issued a report dated July 9, 1997, on our consideration of the Louisiana Recovery District's internal control structure and a report dated July 9, 1997, on its compliance with laws and regulations.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

REG:LRM:d

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LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUND - DIST SERVICE FUND

Balance Sheet, September 30, 1996

ASSETS

Cash equivalents (note 3)	\$10,658,687
Receivables (note 3)	<u>99,105,143</u>
TOTAL ASSETS	<u>\$71,705,130</u>

LIABILITIES AND FUND EQUITY

Liabilities - due to State of Louisiana (note 7)	\$71,705,130
Fund Equity - fund balance	<u> NONE</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$71,705,130</u>

The accompanying notes are an integral part of this statement.

LOUISIANA RECOVERY DISTRICT
 STATE OF LOUISIANA
 GOVERNMENTAL FUND - DEBT SERVICE FUND

Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 As of September 30, 1995, and
 for the Period July 1, 1995,
 Through September 30, 1995

REVENUES

Appropriated by legislature - state General Fund	\$145,000,000
Sales tax	140,400,000
Use of money and property:	
Interest earnings	3,730,400
Capital gain on investment	90,500
Total revenues	<u>394,371,800</u>

EXPENDITURES

Administrative costs	8,142,400
Debt service:	
Principal retirement	127,715,000
Interest	8,674,576
Debt service to escrow - principal	236,184,871
Debt service to escrow - interest	2,194,200
Debt service to escrow - administrative costs	180,200
Excess sales tax remitted to:	
State of Louisiana (note 7)	147,997,915
Louisiana Tax Free Shopping Commission (note 8)	75,000
Return of appropriation (notes 7 and 10)	8,000,000
Total expenditures	<u>529,340,500</u>

EXCESS OF EXPENDITURES OVER REVENUES (240,124,904)

FUND BALANCE AT BEGINNING OF YEAR 340,124,904

FUND BALANCE AT END OF YEAR NCNE

The accompanying notes are an integral part of this statement.

**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements
For the Period July 1, 1995,
Through September 30, 1998

INTRODUCTION

The Louisiana Recovery District and its board of directors were established by Act 15 of the First Extraordinary Session of the 1995 Louisiana Legislature [Louisiana Revised Statute (R.S.) 38:2501] as a special taxing district with boundaries coterminous with the State of Louisiana. The district was created for the purpose of assisting the state in the reduction and elimination of accumulated deficits and to assist parishes and local governments experiencing cash flow difficulties. The district is governed by a nine-member board of directors, five of whom are appointed by the governor. The other four members served in an ex-officio capacity and are the Governor, the State Treasurer, the President of the Senate, and the Speaker of the House of Representatives, or their designees. Members of the board of directors receive no compensation. Financial transactions and investments for the district are administered and maintained by the district's trustee, First National Bank of Commerce of New Orleans. The district has no employees.

The Louisiana Recovery District adopted a resolution authorizing the defeasance or retirement of the district's outstanding bonds, and the district commenced to set forth the defeasance plan on July 1, 1998. As a result, the Louisiana Recovery District ceased to exist on September 30, 1998, after all funds were transferred to the escrow trustee for the retirement of the bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Recovery District is considered to be a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the majority of the board members, a statewide district sales tax is dedicated to pay the bonds of the district, and public service performed by the district is rendered within the state's boundaries. The accompanying financial statements

**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

present activity of the Louisiana Recovery District and, therefore, are part of the fund structure of the State of Louisiana and its general purpose financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The Louisiana Recovery District uses a debt service fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The debt service fund of the Louisiana Recovery District is classified as a governmental fund. The fund accounts for the district's general activities, including the receipt of the district's sales tax, disbursement for certain administrative costs, servicing of the district's debt, and remittance of excess sales tax to the State of Louisiana.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The debt service fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the debt service fund. The debt service fund uses the following practices in recording revenues and expenditures:

Revenues

The appropriation from the General Fund is recognized in the year for which the appropriation is made. Act 17 of 1995 appropriated \$145,000,000 of state General Fund monies to the Louisiana Recovery District for the fiscal year ended June 30, 1997. Sales taxes are collected by the Louisiana Department of Revenue and Taxation and the Department of Public Safety and Corrections, Public Safety Services, deposited in the State Treasury to the credit of the Louisiana Recovery District, and wire transferred by the State Treasury to the district's trustee. Sales taxes are recognized when they become susceptible to accrual, and when they become measurable and available to finance expenditures of the current period. Interest income on investments is recognized when received.

LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Expenditures

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

E. BUDGET PRACTICES

The district does not prepare an annual budget for the debt service fund; therefore, the financial statements do not reflect comparisons of revenues and expenditures to budget. The district does not use encumbrance accounting.

**F. FIXED ASSETS AND GENERAL
LONG-TERM OBLIGATIONS**

The district has no fixed assets or long-term obligations.

**G. COMPENSATED ABSENCES, PENSION
BENEFITS, AND POSTRETIREMENT
HEALTH CARE AND LIFE INSURANCE
BENEFITS**

The district has no employees; all transactions are performed either by employees of the State of Louisiana or the trustee. Therefore, there are no compensated absences, pension benefits, or postretirement benefits provided by the district.

2. CASH EQUIVALENTS

As reflected on Statement A, at September 30, 1999, the district has cash equivalents totaling \$12,559,907. The cash equivalents held by the trustee consist of shares of a Morgan Treasury Fund, a money market mutual fund that invests solely in U.S. government securities. The mutual fund is not classified as to category of credit risk because this is not required by GASB Codification Section 153.105. The market value of the fund is the same as the carrying amount of \$12,559,907.

3. RECEIVABLES

The district has receivables of \$55,100,143 at September 30, 1999. This amount represents sales tax on transactions occurring before September 30, 1999, which were collected by the Louisiana Department of Revenue and Taxation and the Department of Public Safety and Corrections, Public Safety Services, by May 31, 1997. The following is a summary of accounts receivable at September 30, 1999:

**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

	<u>Sales Tax Receivable</u>
Department of Revenue and Taxation	\$48,022,505
Department of Public Safety and Corrections, Public Safety Services, Office of Motor Vehicles	<u>11,077,538</u>
Total	<u>\$59,100,143</u>

4. LITIGATION AND CLAIMS

There is no litigation pending against the Louisiana Recovery District as of September 30, 1995.

**5. LOUISIANA RECOVERY DISTRICT
SALES AND USE TAX**

Act 95 of the First Extraordinary Session of the 1988 Louisiana Legislature authorized the district to levy a statewide one percent sales and use tax and to issue sales and use tax bonds. The board of directors of the district adopted an ordinance dated April 28, 1988, which levied a statewide sales tax effective July 1, 1988. The sales tax proceeds are to be used to pay debt service on those bonds issued by the district and whose proceeds were used to assist the state in reducing and eliminating the state General Fund deficit existing at June 30, 1988, and to remedy additional cash flow shortages of the state General Fund. The district entered into a collection agreement with the state dated July 13, 1988, whereby the district sales tax was collected by the Louisiana Department of Revenue and Taxation and the Department of Public Safety and Corrections, Public Safety Services, and remitted to the district on a daily basis. The district, in the General Bond Resolution dated April 28, 1988, authorized the issuance of up to \$1,300,000,000 in sales and use tax bonds and pledged and dedicated the proceeds of the sales tax to secure the bonds. On June 14, 1988, the board of directors adopted a resolution authorizing the defeasance or retirement of the district's outstanding bonds as of June 30, 1988. On September 30, 1995, the bonds are considered to be defeased, and the authority of the district to levy the tax expires.

6. ARBITRAGE REBATE REQUIREMENTS

Section 149(f) of the Internal Revenue Code requires that issuers of tax exempt bonds calculate and remit periodically to the federal government an arbitrage rebate payment representing the excess of interest earned on any invested bond proceeds over the amount of interest paid on the outstanding bonds. The duties and obligations of the district necessary to comply with this requirement were detailed in the Arbitrage Rebate Memoranda adopted by the Louisiana Recovery District on July 21, 1988, and June 11, 1992. The district was required to calculate the rebate payment at the end of each bond year and transfer that amount to a special

**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

arbitrage rebate account. At the end of five years, amounts on deposit in the arbitrage rebate account would be paid to the federal government as required by the Internal Revenue Code.

The arbitrage rebate payment calculated for the period ended September 30, 1995, revealed that there is no liability to the federal government as of that date.

**T. LOUISIANA RECOVERY DISTRICT
POLITICAL SUBDIVISION DEFICIT
AND SHORTFALL FUND**

As shown on Statement B, the Louisiana Recovery District remitted \$147,287,115 of excess sales tax collected to the State of Louisiana for deposit in the Louisiana Recovery District Political Subdivision Deficit and Shortfall Fund. This amount represents sales tax collected and determined to be in excess of debt service requirements by the district. In a resolution dated June 14, 1988, the board of directors of the district pledged excess sales tax to (1) effect the defeasance and retirement of all debt in accordance with the defeasance plan of the district, (2) a maximum of \$475,000 to the Louisiana Tax Free Shopping Commission for fiscal year 1988-89, and (3) 100 percent of the remaining excess sales tax revenue to the Deficit and Shortfall Fund. The amount of excess collections remitted to the state is allocated from the Deficit and Shortfall Fund to the state General Fund to reimburse amounts paid to political subdivisions in accordance with the General Appropriations Act by the Louisiana Legislature. At September 30, 1995, the recovery district's liability of \$71,765,130, as shown on Statement A, includes \$16,681,945 due to the Deficit and Shortfall Fund for excess sales tax collections. The balance of \$5,073,185 is considered a return of appropriation, as shown on Statement B.

The Deficit and Shortfall Fund was established in the State Treasury by a resolution of the district's board of directors, dated May 12, 1988, and by Act 18 of the 1988 Regular Session of the Louisiana Legislature. The fund was established in conjunction with a cooperative agreement between the district and the State of Louisiana dated July 1, 1988. The purpose of the fund is to (1) provide for the redemption, retirement, or purchase of the district's sales and use tax bonds in advance of their maturity in amounts determined by the district; (2) apply not less than 50 percent of any remaining surplus tax revenues to assist political subdivisions in reducing their deficits or remedying cash flow shortfalls; and (3) apply any remaining surplus tax revenues to purchase and retire bonds of the state. The annual pledge and dedication of surplus tax revenues is determined by resolution of the district.

B. LOUISIANA TAX FREE SHOPPING PROGRAM

On October 13, 1986, the board of directors of the district adopted a resolution to amend the cooperative endorser agreement between the district and the State of Louisiana to provide for participation by the district in the Louisiana Tax Free Shopping Program as authorized by Act 95 of the 1986 Second Extraordinary Session of the Louisiana Legislature. Under the program, international tourists are refunded the one percent district sales tax, along with other

**LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

state and local sales taxes paid on the purchase of tangible personal property. In a resolution dated June 14, 1996, the recovery district pledged and dedicated a maximum of \$410,000 of surplus sales tax revenues to the commission for refunds of recovery district sales tax made by the Louisiana Tax Free Shopping Program in fiscal year 1996-97.

Participation by the recovery district in the program is contingent upon the actual sales taxes collected each year exceeding the debt service requirements.

A total of \$70,000 of recovery district sales tax was refunded by the Louisiana Tax Free Shopping Commission under the program during the period July 1, 1996, through September 30, 1996.

9. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the period from July 1, 1996, through September 30, 1996:

	1996 and 1997 Maturities		Total
	Variable Rate Bonds	Fixed Rate Bonds	
Long-term obligations payable at June 30, 1996	\$700,000,000	\$214,300,000	\$914,300,000
Bonds redeemed		(27,710,000)	(27,710,000)
Bonds released as of September 30, 1996	(100,000,000)	(206,000,000)	(306,000,000)
Long-term obligations payable at September 30, 1996	\$600,000,000	\$180,590,000	\$780,590,000

As explained more fully in note 10, the recovery district entered into Escrow Deposit Agreements with First National Bank of Commerce, New Orleans, Louisiana, as escrow trustee for the defeasance of the remaining balances of the long-term obligations payable on September 30, 1996. On this date, the bonds maturing on July 1, 1997, and July 1, 1998, were considered defeased and the recovery district ceased to exist.

10. BOND DEFEASANCE

The State Bond Commission approved a plan to retire the debt for the Louisiana Recovery District, and the district ceased to exist on September 30, 1996, the date that all remaining bonds issued by the district are defeased and retired. On June 14, 1996, the district adopted a resolution authorizing the defeasance or retirement of the district's outstanding (1) 1988 Variable Rate Bonds and 1996 Fixed Rate Bonds with remaining maturities of \$133,200,000 and \$111,675,000 respectively; (2) Sales Tax Refunding Bonds, series 1990 (the "Senior Lien Bonds") with remaining maturities of \$78,470,000; and (3) Sales Tax Junior Lien Refunding Bonds, Series 1992 (the "Junior Lien Bonds") with remaining maturities of \$40,000,000.

LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

The district entered into a Cooperative Endeavor Agreement dated June 30, 1996, with the State Bond Commission to set forth the defeasance plan and provide for the earmarking of monies appropriated by the state to the district for the defeasance of the bonds. Act 6 and Act 17 of the 1996 Louisiana Legislature provided for appropriations of \$74,400,000 for fiscal year 1996 and \$145,000,000 for fiscal year 1997, respectively, for the defeasance and/or amortization requirement of the district as permitted by the Acts. On July 1, 1996, the trustee applied \$84,000,000 to the July 1 payment. \$128,123,915 of the monies appropriated was invested in a segregated sinking fund account which together with sales tax revenues through June 30, 1996, of \$113,917,941 provided sufficient funds to defease the July 1, 1997, and 1998 maturities of the Series 1988 Bonds, as well as the Senior Lien Bonds and Junior Lien Bonds. The balance of \$5,876,185, as shown on Statement B, is a return of appropriation and will be remitted to the state subsequent to September 30, 1998.

On July 31, 1996, the district authorized the conversion of the interest rate on the Outstanding 1988 Bonds from a variable rate to fixed rates on September 3, 1996, (the "Conversion Date") to more economically defease the Series 1988 Bonds to their maturity dates. Accordingly, the district terminated the Interest Rate Ceiling Agreements on the Series 1988 Bonds and paid Merrill Lynch Capital Services, Inc., a swap termination payment totaling \$5,143,100, which is reflected in Administrative Costs on Statement B.

On September 3 and September 30, 1996, the recovery district entered into Escrow Deposit Agreements with First National Bank of Commerce, New Orleans, Louisiana, as escrow trustee. Special and irrevocable escrow funds designated for each series of bonds were established to be held in the custody of the Escrow Trustee separate and apart from other funds of the district or of the Escrow Trustee. On each date, the district deposited with the Escrow Trustee (1) approximately \$129,800,000, which represented monies transferred from the segregated sinking fund account created by the Cooperative Endeavor Agreement and (2) approximately \$108,000,000 of monies on deposit with the trustee. The monies were invested in government obligations and shall mature in principal amounts and pay interest in such amounts and at such times so that sufficient monies will be available from such government obligations (together with the starting escrow cash balance in each fund), to pay to and including the maturity date for the 1988 Bonds and the 1992 Bonds, including the principal of and accrued and unpaid interest on the defeased bonds.

The district established a separate administrative fund with the escrow trustee to manage future administrative costs of the escrow funds.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by Government Auditing Standards, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-8997

DARRELL G. RYAN, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

PHONE: (504) 386-1111 ext. 3
FAX: (504) 386-1440
TELETYPE: (504) 386-8800
HOURS: (504) 386-8000

July 8, 1997

**Independent Auditor's Report on Internal Control Structure Based
Solely on an Audit of the General Purpose Financial Statements**

**BOARD OF DIRECTORS OF THE
LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the Louisiana Recovery District, a component unit of the State of Louisiana, as of September 30, 1996, and for the period July 1, 1995, through September 30, 1995, and have issued our report thereon dated July 8, 1997.

We have 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 Louisiana Recovery District was responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management were 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 executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose 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, preparation 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 general purpose financial statements of the Louisiana Recovery District as of September 30, 1996, and for the period July 1, 1995, through September 30, 1995, 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 to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A

LEGISLATIVE AUDITOR

BOARD OF DIRECTORS OF THE
LOUISIANA RECOVERY DISTRICT
STATE OF LOUISIANA

Internal Control Report

July 9, 1987

Page 2

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 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 and irregularities in amounts 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 noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information and use of management of the district. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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OFFICE OF
LEGISLATIVE AUDITOR
 STATE OF LOUISIANA
 BAYOU BOULEVARD, LOUISIANA, 70002-PORT

PHONE: (504) 386-5100
 TDD: (504) 386-5100
 TELEPHONE: (504) 386-5100
 FACSIMILE: (504) 386-5100

DANIEL G. KYJE, PH.D., CPA, CFE
 LEGISLATIVE AUDITOR

July 9, 1997

**Independent Auditor's Report on Compliance With Laws and
 Regulations Related to the General Purpose Financial Statements**

**BOARD OF DIRECTORS OF THE
 LOUISIANA RECOVERY DISTRICT
 STATE OF LOUISIANA
 Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the Louisiana Recovery District, a component unit of the State of Louisiana, as of September 30, 1996, and for the period July 1, 1990, through September 30, 1996, and have issued our report thereon dated July 9, 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 and regulations applicable to the Louisiana Recovery District was the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws and regulations. However, the objective of our audit of the general purpose 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 and use of the district. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daniel G. Kyje, CPA, CFE
 Legislative Auditor

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