

LEGISLATIVE AUDITOR



2004 FINANCIAL STATEMENTS

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

Release Date 9.1.04

OUR VISION

WE ENVISION A GOVERNMENT RESPONSIVE TO THE NEEDS OF THE PEOPLE OF LOUISIANA AND ACCOUNTABLE FOR EFFICIENT, EFFECTIVE, AND APPROPRIATE USE OF PUBLIC RESOURCES THROUGH TIMELY, OBJECTIVE AND ACCURATE PUBLIC COMMUNICATIONS.

OUR MISSION

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

OUR OBJECTIVES

Provide the legislature and other officials with accurate, relevant information for use in their decision-making process

Provide quality audit services for state and local governments, and those who rely on those services

Maintain a credible, professional organization devoted to serving the needs of our customers

Provide the personnel, environment and resources to meet the needs of our customers

Legislative Auditor
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**LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Annual Financial Statements
As of and for the Year Ended June 30, 2004**

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STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE


AFFIDAVIT

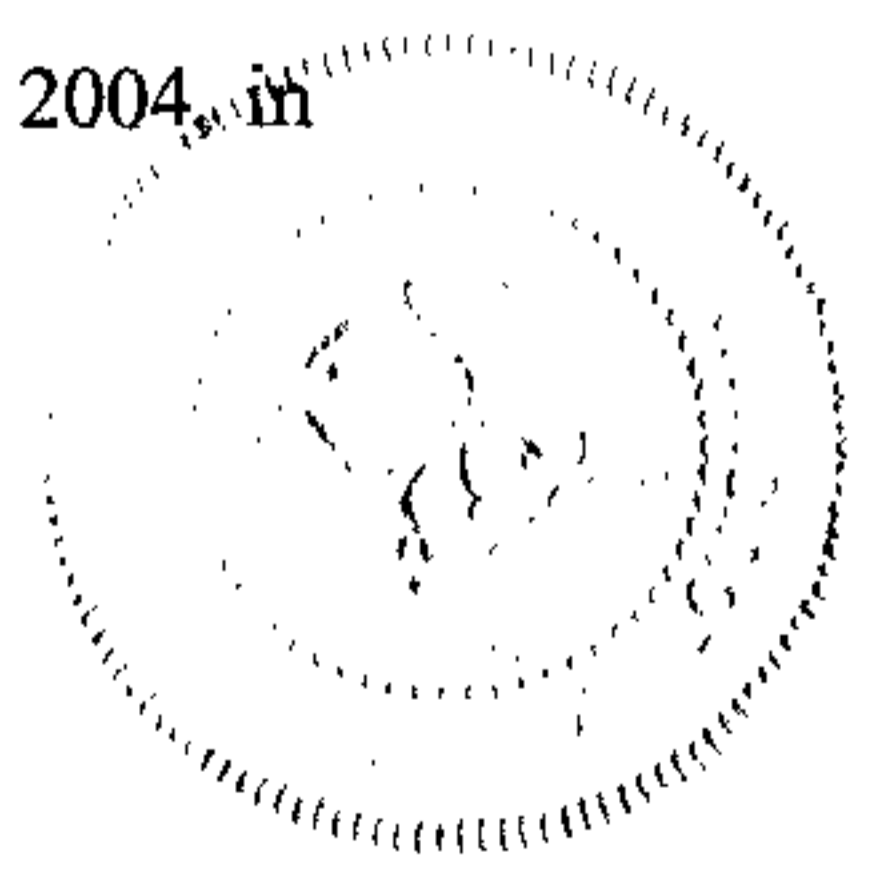
BEFORE ME, the undersigned authority, personally came and appeared, Steve J. Theriot, CPA, Legislative Auditor, a resident of Jefferson Parish, State of Louisiana, who after being duly sworn, deposed and said:

The statements herewith given are a true presentation of balances of the General Appropriation Fund and the Ancillary Enterprise Fund at June 30, 2004, and the results of transactions of such funds for the year then ended, in accordance with generally accepted accounting principles.


Steve J. Theriot, CPA
Legislative Auditor

SWORN to and subscribed before me, Notary, this 26th day of August 2004, in my office in the City of Baton Rouge, Louisiana.


JENIFER SCHAYE, NOTARY PUBLIC
My commission expires upon death





STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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August 30, 2004

Honorable Donald E. Hines, President
of the Louisiana Senate
Honorable Joe R. Salter, Speaker
of the Louisiana House of Representatives
Honorable Edwin R. Murray, Chairman
of the Legislative Audit Advisory Council

In accordance with Louisiana Revised Statute 24:514, the annual financial statements of the Legislative Auditor as of and for the year ended June 30, 2004, 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. The accompanying financial statements have been prepared using Governmental Accounting Standards Board Statement 34.

Management's Discussion and Analysis

This annual report consists of a series of financial statements, and supporting schedules, intended to present the user with two views of the office, one short-term, one long-term. The Statement of Net Assets (page 4) and Statement of Activities (page 5) start with a fund view of the office, which provides a short-term view of operations; this General Fund is adjusted to a long-term view, recording the effect of long-term obligations and capital assets.

A budget comparison of actual to the final budget is included as required supplemental information (page 14). The reporting perspective of the comparison is short-term, reflecting the office's stewardship with the annual lapsing appropriation.

Schedules 1 and 2 reflect detailed information on the General Appropriation Fund and the Ancillary Fund that make up the General Fund. These schedules have been prepared on the modified accrual basis of accounting, a short-term view of the operations of these accounts.

The following presents condensed financial information on the operations of the legislative auditor.

	Current Year As of and for the Year Ended June 30, 2004	Prior Year As of and for the Year Ended June 30, 2003
Current assets	\$1,762,280	\$2,064,220
Capital assets	325,689	241,132
Total assets	2,087,969	2,305,352
Current liabilities	952,776	429,766
Long-term liabilities	1,095,844	1,199,452
Total liabilities	2,048,620	1,629,218
Invested in capital assets	325,689	241,132
Unrestricted (deficit)	(286,340)	435,002
Total net assets	39,349	676,134

	Current Year As of and for the Year Ended June 30, 2004	Prior Year As of and for the Year Ended June 30, 2003
Program revenues:		
Audit fees and allocations	\$7,877,079	\$7,817,471
Court recoveries	1,123	1,488
Total program revenues	7,878,202	7,818,959
General revenues:		
State appropriation	6,000,000	6,958,368
Interest, photocopies, misc	8,869	9,349
Total general revenues	6,008,869	6,967,717
Total Revenues	13,887,071	14,786,676
Total Expenses	14,523,856	14,643,315
Change in net assets	(636,785)	143,361

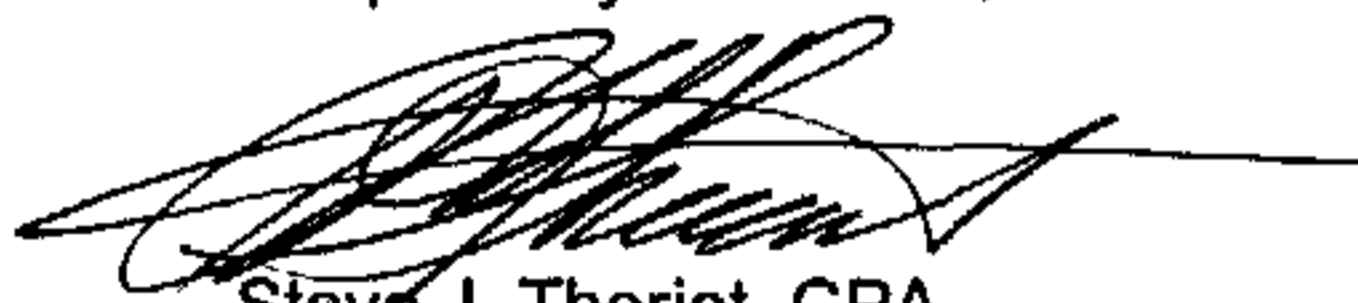
The legislative auditor's net assets decreased by (\$636,785) during fiscal year 2004, primarily caused by a decrease in the state general fund appropriation.

A comparison of budget to actual operations is a required supplemental statement reflected by Statement C. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature. The amounts included for supplies, professional services, and capital outlay in the original budget vary significantly from the final budget, reflecting the replacement of information systems hardware and software during the year.

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.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

SJT:JPB

cc: Mr. Glenn Koepp
Mr. A. W. Speer
Division of Administration

LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Statement A

Statement of Net Assets, June 30, 2004

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS*</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS			
Cash in bank	\$1,146,890		\$1,146,890
Cash in state treasury-means of financing	402,076		402,076
Accounts receivable:			
Accrued interest	972		972
Miscellaneous	5,483		5,483
Audit allocations and fees receivable:			
Billed, but uncollected, allocations and fees (net)	37,716		37,716
Earned fees, but unbilled	169,024		169,024
Prepaid expenses	119		119
Furniture, fixtures, and equipment (net of allowance for depreciation)		\$325,689 (1)	325,689
TOTAL ASSETS	<u>\$1,762,280</u>	<u>\$325,689</u>	<u>\$2,087,969</u>
LIABILITIES			
Accounts payable	\$526,913		\$526,913
Accrued salaries and related benefits	425,863		425,863
Compensated absences		\$1,095,844 (2)	1,095,844
TOTAL LIABILITIES	<u>952,776</u>	<u>1,095,844</u>	<u>2,048,620</u>
FUND BALANCE/NET ASSETS			
Unreserved	<u>809,504</u>	(809,504)	
Total Liabilities and Fund Balance	<u>\$1,762,280</u>		
Net Assets:			
Invested in capital assets		325,689	325,689
Unrestricted (deficit)		<u>(286,340)</u>	<u>(286,340)</u>
TOTAL NET ASSETS		<u>\$39,349</u>	<u>\$39,349</u>

***Explanations**

- (1) Capital assets, including depreciation, are recorded on the Statement of Net Assets, but not within the fund statements of the General Fund.
- (2) Long-term liabilities, such as compensated absences, are recorded on the Statement of Net Assets, but not within the fund statements of the General Fund.

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Statement B

Statement of Governmental Fund Revenues, Expenditures,
and Changes in the Fund Balance/Statement of Activities
For the Year Ended June 30, 2004

	GENERAL FUND	ADJUSTMENTS*	STATEMENT OF ACTIVITIES
Expenditures/expenses:			
Personal services and related benefits	\$12,800,155	(\$103,608) (1)	\$12,696,547
Travel	552,489	(2,251) (3)	550,238
Operating services	483,501		483,501
Supplies	283,482	179,237 (2)	462,719
Professional services	237,463		237,463
Capital outlay	357,182	(357,182) (2)	
Depreciation		90,438 (2)	90,438
Loss on disposal of capital asset		2,950 (2)	2,950
Total Expenditures	<u>14,714,272</u>	<u>(190,416)</u>	<u>14,523,856</u>
Program revenues:			
Audit fees and allocations	7,877,079		7,877,079
Court recoveries	1,123		1,123
Total Program Revenues	<u>7,878,202</u>	<u>NONE</u>	<u>7,878,202</u>
Net Program Expenses			(6,645,654)
General Revenues:			
State General Fund Appropriation	6,000,000		6,000,000
Interest	8,397		8,397
Prior year return	2,251	(2,251) (3)	
Miscellaneous	472		472
Total General Revenues	<u>6,011,120</u>	<u>(2,251)</u>	<u>6,008,869</u>
Excess (Deficiency) of Revenues Over Expenditures	(\$824,950)	\$824,950	
Change in Net Assets		(636,785)	(636,785)
Fund Balance/Net Assets:			
Beginning of Year	1,634,454	(958,320)	676,134
End of Year	<u>\$809,504</u>	<u>(\$770,155)</u>	<u>\$39,349</u>

*Explanations

- (1) Decrease in long-term obligation for compensated absences.
- (2) Reclassify equipment supplies and record depreciation.
- (3) Prior year refund returnable to the state treasury, budgetarily; under generally accepted accounting principles, the item is reflected as a reduction of expenditures.

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS



LEGISLATIVE AUDITOR

LEGISLATIVE AUDITOR STATE OF LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

A. 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 24:511-521. The legislative auditor is authorized by Article III, Section 11 of the Louisiana Constitution of 1974.

The legislative auditor has audit responsibility for some 4,000 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 an area office located in New Orleans. The legislative auditor employs 198 staff members, including auditors, information systems personnel, an attorney, and various administrative personnel. The auditor's operations are funded through an annual lapsing 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 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 Ancillary Enterprise Fund.

In accordance with *Statement of Governmental Accounting Standard 34*, the legislative auditor presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the office. The legislative auditor has no fiduciary funds or component units.

LEGISLATIVE AUDITOR

The legislative auditor has only a General Fund, supported by an appropriation from the State of Louisiana and self-generated funds.

The Statement of Activities demonstrates the degree to which the direct expenses of audit and advisory services are offset by audit fees and allocations. The general appropriation from the Legislature is used to support these program revenues.

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the legislative auditor using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The legislative auditor considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Using this methodology, the legislative appropriation is recorded during the year, and for the year, the appropriation is made, audit fees and allocations are recorded when earned, and interest and miscellaneous revenues are recorded when earned. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences are recorded when paid.

The General Fund column is adjusted to create a Statement of Net Assets and Statement of Activities. Within this column, amounts are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The General Fund of the legislative auditor is the primary operating fund of the office. It accounts for all financial resources of the office. It includes two sub-funds (reported in the accompanying schedules):

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. Those 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.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

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B. CASH IN BANK AND STATE TREASURY

The legislative auditor maintains interest-bearing demand accounts, authorized by state law, (book balances) as follows:

<u>Bank</u>	<u>Fund</u>	<u>Balance</u>
Hibernia Bank	General	\$1,146,890
Hibernia Bank	Payroll Account	None

Under state law, the legislative auditor may deposit funds with a fiscal agent bank selected and designated by the Interim Emergency Board. These public deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank (Category 3) in a holding or custodial bank with safekeeping receipts. The bank deposits at June 30, 2004, are secured as follows:

	<u>(Collected) Bank Balance</u>	<u>FDIC Insurance</u>	<u>(Market) Pledged Securities</u>
Account balances	\$1,186,440	\$100,000	\$2,536,145

In addition, the legislative auditor maintains accounts with the Louisiana Department of Treasury. Deposits held in the state treasury are secured under similar arrangements by the state treasurer.

C. RECEIVABLES

Revenues generated from audit fees or allocations to state agencies are recorded immediately when earned. Allowances for bad debts are established based upon historical patterns.

	<u>Gross Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
Billed audit fees	\$37,716	None	\$37,716
Earned, but unbilled audit fees	169,024	None	169,024

State law limits the legislative auditor's credit risk by allowing the state treasurer to withhold appropriations from those agencies owing audit fees and allocations.

D. PREPAID EXPENSES

Prepaid expenses consist of \$119 of prepaid postage.

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E. FURNITURE, FIXTURES, AND EQUIPMENT

The accompanying statements reflect furniture, fixtures, and equipment used by the legislative auditor, and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost. Furniture, fixtures, and equipment with acquisition costs of \$5,000 or greater are capitalized and depreciated as follows:

Assets of \$5,000 or Greater	Cost	Allowance for Depreciation	Net Value
Balance, July 1, 2003	\$758,299	(\$517,167)	\$241,132
Acquisitions	177,945		177,945
Disposals	(187,258)	184,308	(2,950)
Depreciation		(90,438)	(90,438)
Balance, June 30, 2004	<u>\$748,986</u>	<u>(\$423,297)</u>	<u>\$325,689</u>

The depreciable assets are depreciated using the straight-line method of allocating asset costs over the following useful lives.

Computer equipment	5 years
Office furniture and equipment	7 years
Vehicles	5 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The legislative auditor internally tracks furniture, fixture, and equipment of a lesser value that are not depreciated or recorded in the accompanying financial statements.

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
\$250 to \$1,000	\$302,975	\$50,370	(\$25,615)	\$327,730
\$1,000 to \$4,999	1,617,980	133,718	(\$474,085)	1,277,613

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

F. COMPENSATED ABSENCES

The long-term obligation of accumulated unpaid annual, sick, and compensatory leave is recorded in the Statement of Net Assets and Statement of Activities. 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 an employee at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2004, 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 C60.105, totals \$1,095,844.

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

Balance July 1, 2003	Net Change *	Balance June 30, 2004
\$1,199,452	(\$103,608)	\$1,095,844

* Includes \$57,000 which is being reported separately within the Legislative Actuary's 2004 financial statements.

G. RECONCILIATION

The Statement of Net Assets and Statement of Activities present the legislative auditor's fund balance/net assets from a fund perspective and an entity-wide perspective, using the current financial resources focus for the fund balance and the economic resources measurement focus for net assets. The amounts are reconciled as follows:

Fund Balance, June 30, 2004	\$809,504
Furniture, fixtures, and equipment	325,689
Compensated absences	<u>(1,095,844)</u>
Net Assets, June 30, 2004	<u>\$39,349</u>

H. BUDGETARY PRACTICES

The legislative appropriation made for the general operations of the office is an annual lapsing legislative appropriation accounted for within the General Appropriation Fund (Schedules 1 and 2). Amounts not expended at September 1, 2004, 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.

The budget of the Ancillary Fund is an administrative budget, driven by amounts legislatively authorized to be transferred to the General Fund.

Transfers from the Ancillary Fund are limited by the legislative appropriation and any amendment that would increase the amount of the authorized transfer must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council. Transfers between the expenditure classifications 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 2003-2004 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 Statement C in that the legislative auditor has not historically drawn such amount to fund operations.

Encumbrance accounting is used during the year to reserve portions of the annual appropriation for unfilled purchase orders. Year-end encumbrances are not charged against the current year appropriation and are carried forward into the next budget year. Encumbrances at June 30, 2004,

LEGISLATIVE AUDITOR

are not recorded in the accompanying financial statements; encumbrances at year-end totaled \$45,459.

I. LEASE AGREEMENTS

The legislative auditor has operating lease agreements for office and storage space in Baton Rouge and New Orleans. These leases extend through September 2007. These lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period.

Fiscal Year	Baton Rouge (Expires September 2004)	New Orleans (Expires September 2007)
2005	\$1,425	\$45,016
2006		46,044
2007		11,511

Rental and lease expenditures, including month-to-month equipment rentals not included above, for the year totaled \$57,692.

J. RISK MANAGEMENT

The legislative auditor limits its exposure to risk of loss through the Office of Risk Management, a state-wide insurance program. Through the payment of premiums to the program, the legislative auditor transfers the risk of loss from theft, torts, damage to and destruction of assets, workers' compensation, errors and omissions, and natural disasters.

K. 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 Employees 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, 2004, the employer's cost of retiree benefits totaled \$381,384 for 90 retirees and their spouses, funded through the legislative appropriation. Retirees pay one-quarter of their health benefits.

L. RETIREMENT SYSTEM

Plan Description Substantially all employees of the legislative auditor are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

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Funding Policy Plan members of the legislative auditor are required by state statute to contribute 7.5% 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 15.8% 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 state retirement systems for the years ending June 30, 2004, 2003, and 2002, were \$1,535,680, \$1,339,952, and \$1,211,887, respectively, and were equal to the required contributions for each year. The amounts reported for June 30, 2003, and June 30, 2002, have been reduced by \$41,269 and \$36,826, respectively, for the employer contributions made for the Legislative Actuary which is reported separately for the year ending June 30, 2004.

M. 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, 2004, the legislative auditor is involved in various litigation 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.

N. PROFESSIONAL SERVICES

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

Automation Centre	Application & Development	\$119,676
Blue Streak Technologies	Consulting & Development	2,400
CamSoft Data Systems	Consulting & Development	900
Cherbonnier Mayer	Application & Development	50,705
Computerland	Helpdesk Support	11,325
Global Data Systems, Inc.	Network Support	4,950
J D Edwards	Consulting	10,724
James A. Young & Assoc	Appraisal	2,500
NASACT	Peer Review	14,917
Net IQ	Installation & Training	4,500
Round Table Solutions	Software Development	5,366
Systran/Dyntek	Network Support	8,000
Volentine, David W.	Appraisal	1,500
Total		<u>\$237,463</u>

LEGISLATIVE AUDITOR

O. 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.

Required Supplemental Information



**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004**

Budgeted Amounts.....		Actual Amount Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final			
REVENUES APPROPRIATED BY LEGISLATURE					
State General Fund	\$6,000,000	\$6,000,000	\$6,000,000		\$6,000,000
Audit fees and self-generated revenues	8,913,988	8,913,988	7,889,322	(\$2,251) (3)	7,887,071
Total revenues	<u>14,913,988</u>	<u>14,913,988</u>	<u>13,889,322</u>	<u>(2,251)</u>	<u>13,887,071</u>
EXPENDITURES					
Personal services and related benefits	13,186,541	12,814,763	12,800,155	(103,608) (1)	12,696,547
Travel	625,687	608,100	552,489	(2,251) (3)	550,238
Operating services	573,440	554,746	483,501		483,501
Supplies	155,180	283,465	283,482	179,237 (2)	462,719
Professional services	90,000	270,022	237,463		237,463
Capital outlay	283,140	382,892	357,182	(357,182) (2)	
Depreciation				90,438 (2)	90,438
Loss on disposal of capital asset				2,950 (2)	2,950
Total expenditures	<u>14,913,988</u>	<u>14,913,988</u>	<u>14,714,272</u>	<u>(190,416)</u>	<u>14,523,856</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	NONE	NONE	(824,950)	188,165	(636,785)
FUND BALANCE AT BEGINNING OF YEAR	NONE	NONE	1,634,454	(958,320)	676,134
FUND BALANCE AT END OF YEAR	NONE	NONE	\$809,504	(\$770,155)	\$39,349

Explanation of differences

- (1) Compensated absences are budgeted on a modified accrual basis. Under generally accepted accounting principles, these costs are recognized when the benefit is earned.
- (2) Capital assets are recognized for budget purpose when purchased. Under generally accepted accounting principles, such capital assets are recognized as long-lived assets and depreciation is recognized over the life of the assets, as well as any loss of disposal.
- (3) A prior year refund returnable to the state treasury, budgetarily; under generally accepted accounting principles, the item is reflected as a reduction of expenditures.

The accompanying notes are an integral part of this statement.

Schedules



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

Schedule 1

Balance Sheet, June 30, 2004

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	GENERAL FUND For the Years Ended	
			June 30, 2004	June 30, 2003
ASSETS				
Cash in bank	\$1,146,890		\$1,146,890	\$563,815
Cash in state treasury, means of financing		\$402,076	402,076	1,288,684
Accounts receivable:				
Accrued interest		972	972	1,028
Miscellaneous	5,483		5,483	4,357
Audit allocations and fees receivable:				
Billed, but uncollected, allocations and fees (net)		37,716	37,716	54,920
Earned fees, but unbilled		169,024	169,024	151,162
Prepaid expenses	119		119	254
TOTAL ASSETS	\$1,152,492	\$609,788	\$1,762,280	\$2,064,220
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$526,913		\$526,913	\$122,385
Accrued salaries and related benefits	425,863		425,863	307,381
Total Liabilities	952,776		952,776	429,766
Fund balances	199,716	609,788	809,504	1,634,454
TOTAL LIABILITIES AND FUND BALANCES	\$1,152,492	\$609,788	\$1,762,280	\$2,064,220

The accompanying notes are an integral part of this schedule.

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

Schedule 2

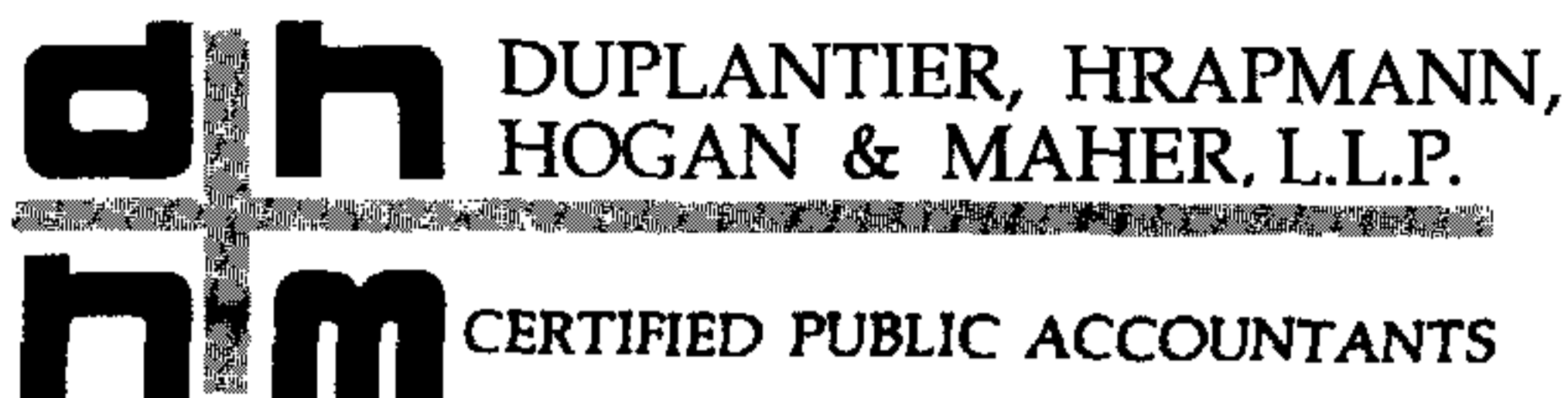
**Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2004**

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	GENERAL FUND For the Years Ended	
			June 30, 2004	June 30, 2003
REVENUES				
State General Fund appropriation	\$6,000,000		\$6,000,000	\$6,958,368
Audit fees and allocations		\$7,877,079	7,877,079	7,817,471
Interest		8,397	8,397	9,286
Photocopies		295	295	63
Court recoveries		1,123	1,123	1,488
Prior year return		2,251	2,251	
Miscellaneous		177	177	
Total revenues	<u>6,000,000</u>	<u>7,889,322</u>	<u>13,889,322</u>	<u>14,786,676</u>
EXPENDITURES				
Personal services and related benefits	12,800,155		12,800,155	12,877,477
Travel	552,489		552,489	537,574
Operating services	483,501		483,501	502,716
Supplies	283,482		283,482	271,518
Professional services	237,463		237,463	96,368
Capital outlay	357,182		357,182	378,153
Total expenditures	<u>14,714,272</u>	<u>NONE</u>	<u>14,714,272</u>	<u>14,663,806</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(8,714,272)</u>	<u>7,889,322</u>	<u>(824,950)</u>	<u>122,870</u>
OTHER FINANCING SOURCE AND USES				
Transfer to Ancillary Fund	(138,660)	138,660		
Transfer from Ancillary Fund	8,913,988	(8,913,988)		
Total other financing source and uses	<u>8,775,328</u>	<u>(8,775,328)</u>	<u>NONE</u>	<u>NONE</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USES	61,056	(886,006)	(824,950)	122,870
BEGINNING OF YEAR FUND BALANCE	<u>138,660</u>	<u>1,495,794</u>	<u>1,634,454</u>	<u>1,511,584</u>
END OF YEAR FUND BALANCE	<u>\$199,716</u>	<u>\$609,788</u>	<u>\$809,504</u>	<u>\$1,634,454</u>

The accompanying notes are an integral part of this schedule.

Independent Auditor's Reports





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MEMBERS
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SOCIETY OF LA. C.P.A.'S

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

August 20, 2004

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Legislative Auditor's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

As discussed in Note A to the basic financial statements, the basic 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.

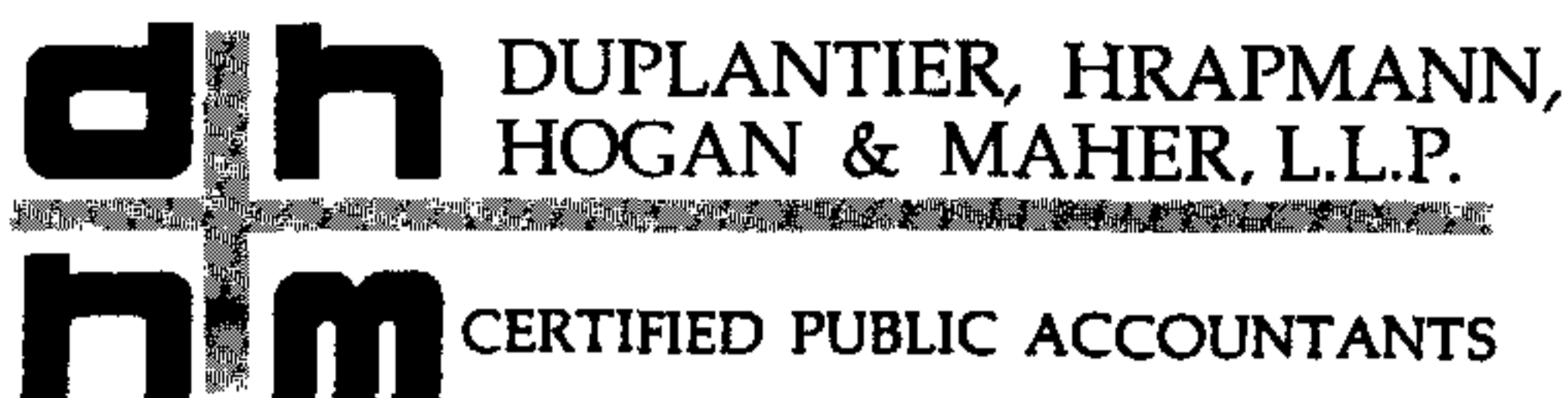
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Auditor, State of Louisiana, as of June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 3 and page 14, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 15 and 16 are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Legislative Auditor, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2004 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 law and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hopmann, Hogan & Weber LLP



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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*

August 20, 2004

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Legislative Auditor, State of Louisiana's basic 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 basic 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 basic 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.

This report is intended solely for the information of the Legislative Auditor, State of Louisiana, management, the Legislative Budgetary Control Council and the Legislative Audit Advisory Council, and is not intended to be and should not be used by anyone other than these specified parties.

Duplantier, Hapmann, Hogan & Weber LLP