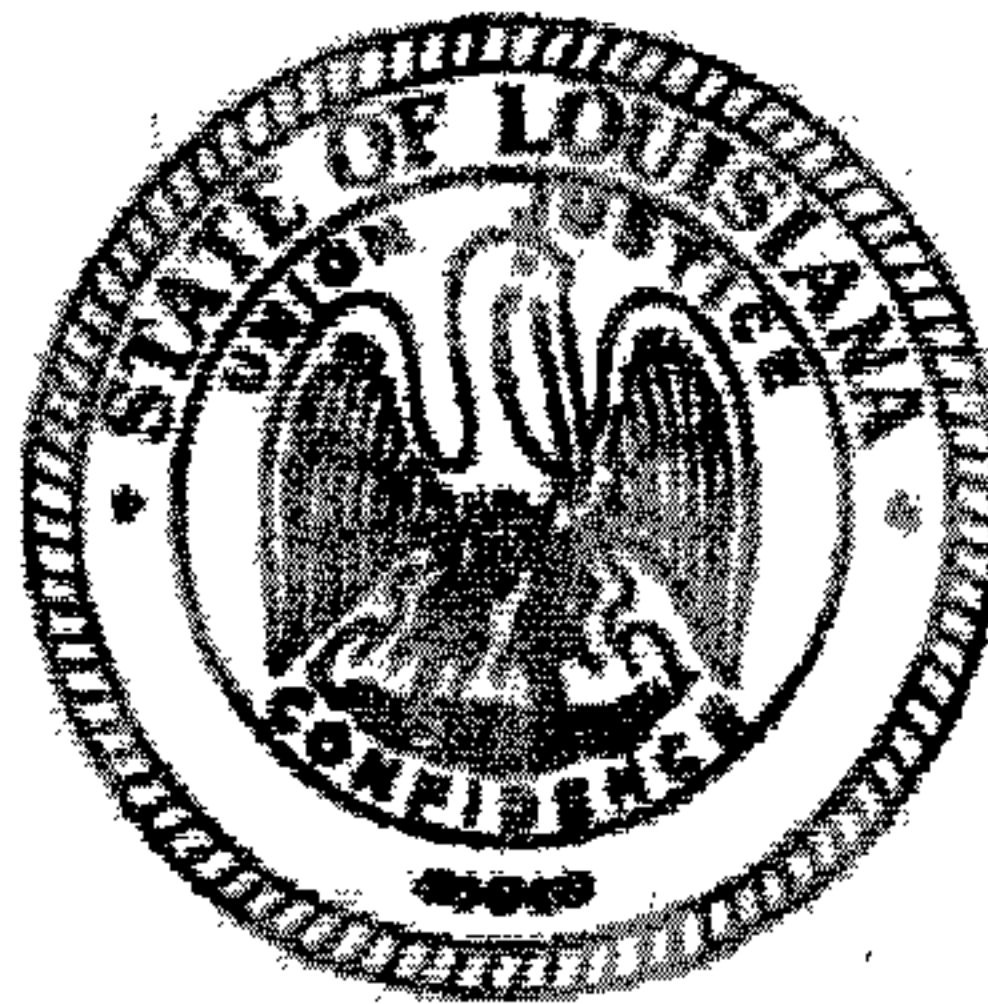


LEGISLATIVE ACTUARY



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

**LEGISLATIVE ACTUARY
STATE OF LOUISIANA**

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

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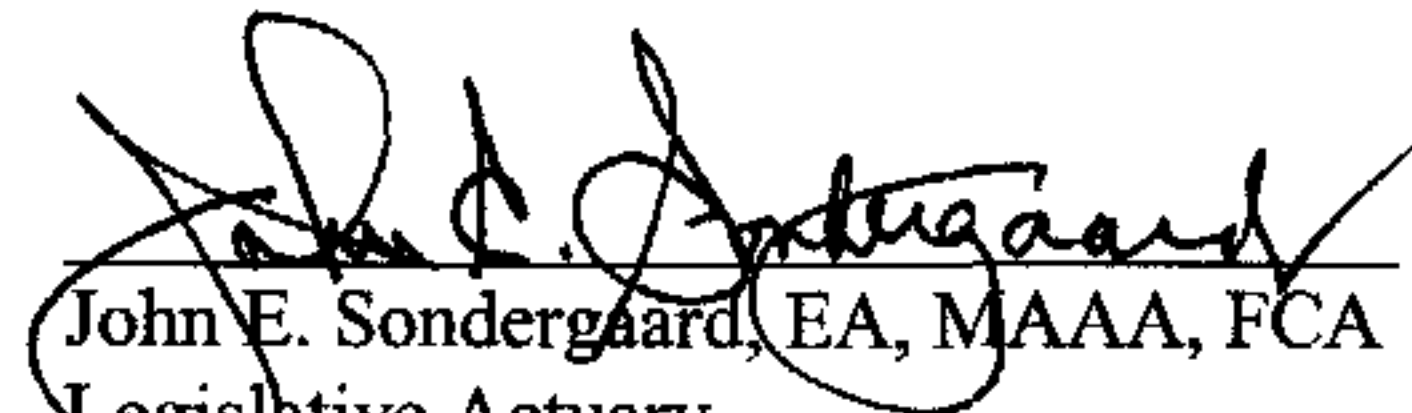
STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

AFFIDAVIT

BEFORE ME, the undersigned authority, personally came and appeared, John Sondergaard, Legislative Actuary, a resident of East Baton Rouge 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 Fund of the Legislative Actuary at June 30, 2004, and the results of transactions of such funds for the year then ended, in accordance with generally accepted accounting principles.


John E. Sondergaard, EA, MAAA, FCA
Legislative Actuary

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





LEGISLATIVE ACTUARY
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-4308



JOHN E. SONDERGAARD, EA, MAAA, FCA
LEGISLATIVE ACTUARY

CAPITOL ANNEX B-18
POST OFFICE BOX 44308
TELEPHONE: 225-219-1330
FACSIMILE: 225-219-1333

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 Actuary 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 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 (compensated absences).

A budget comparison of actual to the final budget is included as required supplemental information (page 11). The reporting perspective of the comparison is short-term, reflecting the office's stewardship with the annual legislative appropriation.

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

	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	\$1,262	None
Total assets	1,262	None
Current liabilities	None	None
Long-term liabilities	57,356	None
Total liabilities	57,356	None
Invested in capital assets	None	None
Unrestricted (deficit)	(56,094)	None
Total net assets	(56,094)	None
Program revenues	None	None
General revenues - state appropriation	405,439	None
Total Revenues	405,439	None

	Current Year As of and for the Year Ended June 30, 2004	Prior Year As of and for the Year Ended June 30, 2003
Total Expenses	\$461,533	None
Change in net assets	(56,094)	None


The legislative actuary's net assets decreased by \$56,094 during fiscal year 2004, primarily caused by the accrual of compensated absences.

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.

Annually, the Legislative Actuary 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 our 2004 audit are available for public inspection within my office.

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

Respectfully submitted,


Mr. John E. Sondergaard, EA, MAAA, FCA
Legislative Actuary

JS:JPB

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

**LEGISLATIVE ACTUARY
STATE OF LOUISIANA**

Statement A

Statement of Net Assets, June 30, 2004

	GENERAL FUND	ADJUSTMENTS*	STATEMENT OF NET ASSETS
ASSETS			
Cash in bank	\$1,262		\$1,262
TOTAL ASSETS	\$1,262	NONE	\$1,262
LIABILITIES			
Compensated absences		\$57,356 (1)	\$57,356
TOTAL LIABILITIES	NONE	57,356	57,356
FUND BALANCE/NET ASSETS			
Unreserved	\$1,262	(1,262)	
Total Liabilities and Fund Balance	\$1,262		
Net Assets:			
Unrestricted (deficit)		(56,094)	(56,094)
TOTAL NET ASSETS		(56,094)	(56,094)

***Explanation**

(1) 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 ACTUARY
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

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS*</u>	<u>STATEMENT OF ACTIVITIES</u>
Expenditures/expenses:			
Personal services and related benefits	\$371,171	\$57,356 (1)	\$428,527
Travel	3,739		3,739
Operating services	19,461		19,461
Supplies	3,545	6,261 (2)	9,806
Capital outlay	6,261	(6,261) (2)	
Total Expenditures	<u>404,177</u>	<u>57,356</u>	<u>461,533</u>
Net Program Expenses			<u>461,533</u>
General Revenues:			
State General Fund Appropriation	<u>405,439</u>		<u>405,439</u>
Excess of Revenues Over Expenditures	1,262	(1,262)	
Change in Net Assets		(56,094)	(56,094)
Fund Balance/Net Assets:			
Beginning of Year	NONE	NONE	NONE
End of Year	<u>\$1,262</u>	<u>(\$57,356)</u>	<u>(\$56,094)</u>

***Explanation**

- (1) Increase in long-term obligation for compensated absences
- (2) Reclassify equipment supplies

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS



LEGISLATIVE ACTUARY

LEGISLATIVE ACTUARY 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 actuary serves as staff to the Louisiana Legislature, within the legislative branch of state government. The legislative actuary provides oversight of the state's 13 state retirement systems and limited oversight of a number of local retirement systems. The legislative actuary serves as staff to the Senate and House Committees on Retirement Systems preparing actuarial notes on all legislation impacting state systems.

The legislative actuary has a staff of four professionals, working from the Capitol Complex in Baton Rouge, Louisiana. The actuary's operations are funded through an annual 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 actuary) to be the State of Louisiana. The accompanying financial statements of the legislative actuary 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.

In accordance with *Statement of Governmental Accounting Standard 34*, the legislative actuary presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the office. The legislative actuary has no fiduciary funds or component units. The legislative actuary has only a General Fund, supported by an appropriation from the State of Louisiana.

The Statement of Activities demonstrates the degree to which the direct expenses of actuarial and advisory services are funded by general revenues of the state. The general appropriation from the Legislature is used to support these services.

LEGISLATIVE ACTUARY

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 actuary 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 actuary 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. 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 actuary is the primary operating fund of the office. It accounts for all financial resources of the office. The General Fund accounts for the appropriated operating revenues, transfers, and expenditures of the legislative actuary. All appropriated revenues are deposited into this fund from which operating expenditures are made.

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.

For all years through June 30, 2003, the Legislative Actuary was included as part of the Legislative Auditor's financial statements. For fiscal year ending June 30, 2004, Act 64 of the 2003 Regular Session of the Louisiana Legislature appropriated funds separately for the Legislative Actuary.

B. CASH IN BANK AND STATE TREASURY

The accounting records of the legislative actuary are maintained, by agreement, by the Louisiana Legislative Auditor. The cash in bank balance of \$1,262, reflected on Statement A, is part of a pooled (interest-bearing) cash account maintained by the Legislative Auditor.

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.

The pooled cash account is fully secured by federal deposit insurance and the pledge of securities held in the name of the pledging fiscal agent bank (Category 3).

LEGISLATIVE ACTUARY

C. FURNITURE, FIXTURES, AND EQUIPMENT

Under the state capitalization policy, the legislative actuary is required to report and depreciate all furniture, fixtures, and equipment used by the legislative actuary with an acquisition cost exceeding \$5,000. At June 30, 2004, the legislative actuary has no assets requiring capitalization.

However, the legislative actuary internally tracks furniture, fixtures, and equipment of a lesser value that are not capitalized and depreciated.

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
\$250 to \$1,000		\$1,666		\$1,666
\$1,000 to \$4,999		4,595		4,595

The accompanying statements do not include the value of office facilities provided without cost to the legislative actuary by the State of Louisiana. These facilities are recorded within the annual financial statements of the State of Louisiana.

D. 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 actuary'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 \$57,356.

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
\$0	\$57,356	\$57,356

* Includes \$57,000 which was reported within the Office of Legislative Auditor's 2003 financial statements at June 30, 2003. For all years through June 30, 2003, the Legislative Actuary was included as part of the Legislative Auditor's financial statements. For fiscal year ending June 30, 2004, separate financial statements for the Legislative Actuary were issued.

LEGISLATIVE ACTUARY

E. RECONCILIATION

The Statement of Net Assets and Statement of Activities present the legislative actuary'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	\$1,262
Compensated absences	<u>(57,356)</u>
Net Assets, June 30, 2004 (deficit)	<u>(\$56,094)</u>

F. BUDGETARY PRACTICES

The legislative appropriation made for the general operations of the actuary is an annual legislative appropriation accounted for within the General Fund. Amounts not expended at September 1, 2004, revert to the General Fund of the State of Louisiana if not reappropriated in a subsequent legislative appropriation.

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. There are no outstanding encumbrances at June 30, 2004.

G. LEASE AGREEMENTS

At June 30, 2004, the legislative actuary has no capital or operating leases.

H. RISK MANAGEMENT

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

I. POSTRETIREMENT BENEFITS

The legislative actuary has no retirees or continuing health care and life insurance benefits for retired employees.

LEGISLATIVE ACTUARY

J. RETIREMENT SYSTEM

Plan Description All employees of the legislative actuary 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.

Funding Policy Plan members of the legislative actuary 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 actuary's employer contributions to LASERS for the years ending June 30, 2004, 2003, and 2002, were \$48,228, \$41,269, and \$36,826, respectively, and were equal to the required contributions for each year. The amounts reported for the years ending June 30, 2003, and June 30, 2002, for the employer contributions made for the Legislative Actuary were included as part of the amount reported for the Legislative Auditor.

K. LITIGATION, CLAIMS, AND SIMILAR CONTINGENCIES

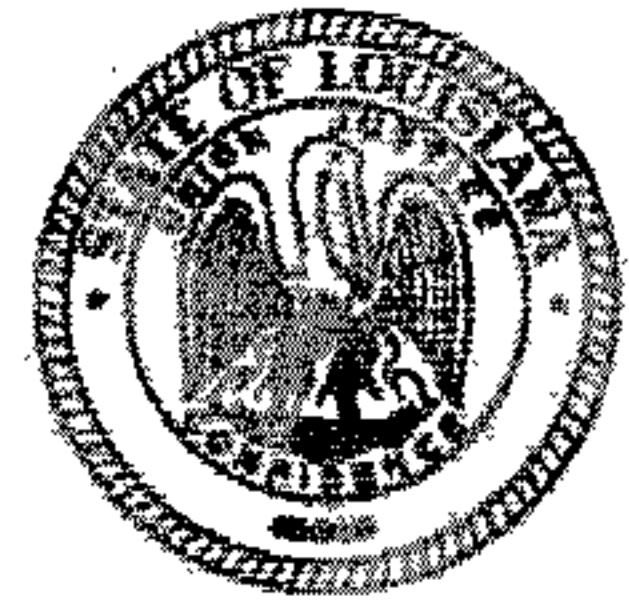
Losses arising from litigation, claims, and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims, and similar contingencies are not recognized in the accompanying financial statements.

At June 30, 2004, the legislative actuary is not involved in any litigation relating to his function as the legislative actuary.

L. OTHER COSTS

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

Required Supplemental Information



**LEGISLATIVE ACTUARY
STATE OF LOUISIANA**

**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	\$405,439	\$405,439	\$405,439		\$405,439
Total revenues	405,439	405,439	405,439	NONE	405,439
EXPENDITURES					
Personal services and related benefits	373,924	370,550	371,171	\$57,356 (1)	428,527
Travel	7,570	3,739	3,739		3,739
Operating services	21,895	19,794	19,461		19,461
Supplies	1,550	5,095	3,545	6,261 (2)	9,806
Capital outlay	500	6,261	6,261	(6,261) (2)	0
Total expenditures	405,439	405,439	404,177	57,356	461,533
EXCESS (DEFICIENCY) OF EXPENDITURES OVER REVENUES	NONE	NONE	1,262	(57,356)	(56,094)
FUND BALANCE AT BEGINNING OF YEAR	NONE	NONE	NONE	NONE	NONE
FUND BALANCE AT END OF YEAR	NONE	NONE	\$1,262	(\$57,356)	(\$56,094)

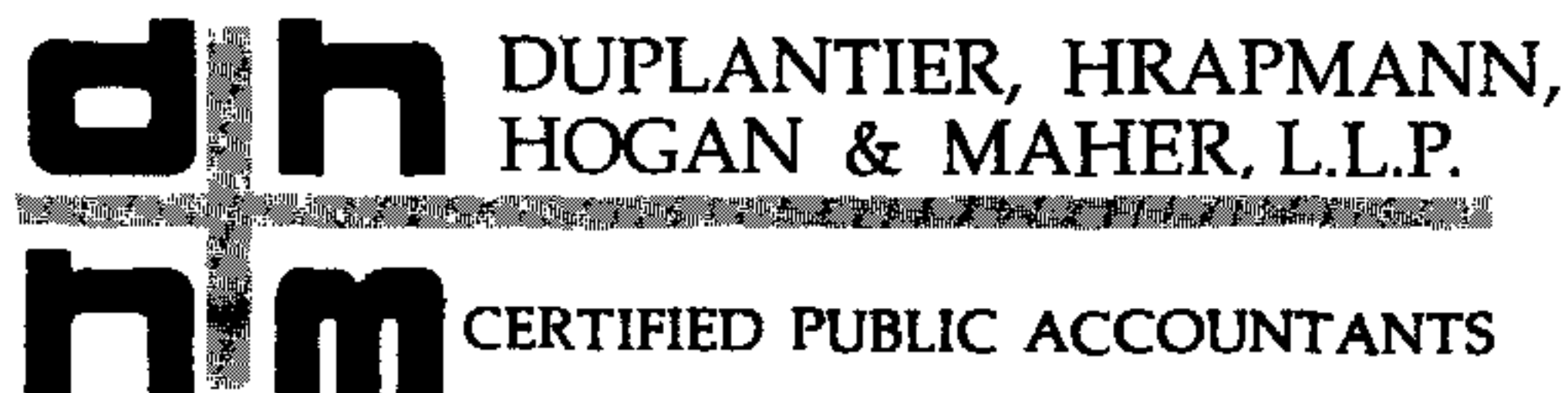
Explanation of differences:

- (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.

The accompanying notes are an integral part of this statement.

Independent Auditor's Reports





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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

August 20, 2004

Legislative Actuary
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Legislative Actuary, 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 Actuary'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.

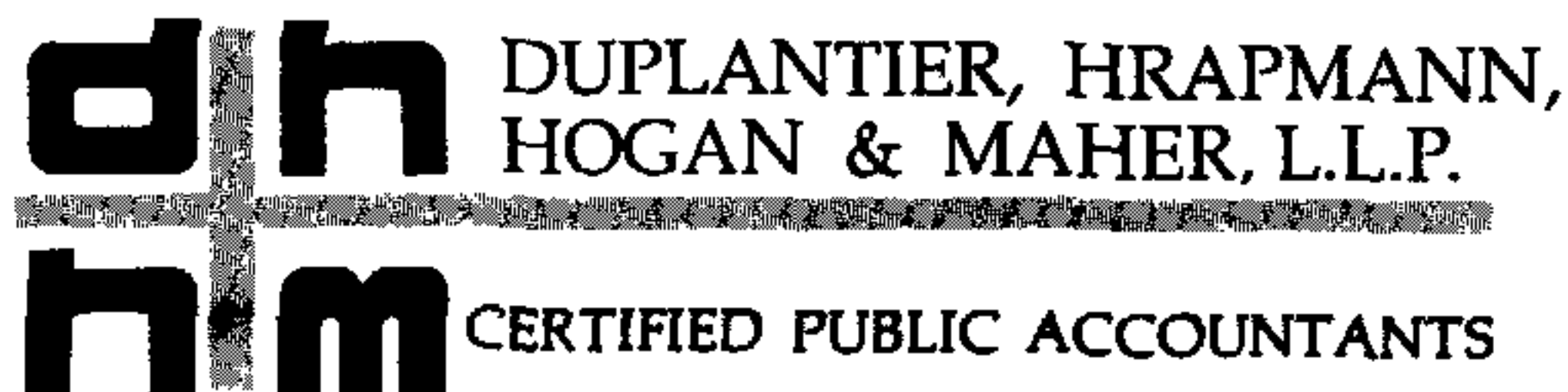
As discussed in Note A to the basic financial statements, the basic financial statements of the Legislative Actuary, State of Louisiana, are intended to present the financial position and the results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Actuary, 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 11, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2004 on our consideration of the Legislative Actuary, 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, Hapmann, Hogan & Maher LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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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 Actuary
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Legislative Actuary, 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 Actuary, 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 Actuary, 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 Actuary, 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, Grapmann, Hogan & Maher LLP