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PARISH CLERK OF COURT

LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not less than one year from the date of receipt.

Legislative Auditor

LEGISLATIVE AUDITOR



1996

FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 04 1996

OUR MISSION

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

OUR OBJECTIVES

To provide the legislature and other public officials with accurate, relevant information for use in their decision-making process.

To provide quality audit services for state and local governments.

To evaluate the effectiveness, efficiency, and usefulness of state programs.

To project a positive public image.

To maintain a high degree of professionalism within the organization.

To provide a satisfying and rewarding place to work.

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Annual Financial Statements
As of and for the Year Ended June 30, 1996**

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

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

November 13, 1996

1600 NORTH THIRD STREET
 POST OFFICE BOX 94397
 TELEPHONE: (504) 339-3800
 FACSIMILE: (504) 339-3870

Honorable Randy L. Ewing, President
 of the Louisiana Senate
 Honorable Huntington "Hunt" Downer, Jr., Speaker
 of the Louisiana House of Representatives
 Honorable Francis Coleman Thompson, 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, 1996, are submitted herewith. The objectives of these statements are to present our financial condition and results of operations in accordance with generally accepted accounting principles, as well as reflect compliance with the annual legislative appropriation for the General Appropriation Fund. I believe the accompanying financial statements to be accurate, in all material respects, and to accurately reflect the financial activities of my office as of and for the year ended June 30, 1996.

Organization

The Legislative Auditor is a constitutional and statutory office created to serve the informational needs of the legislature and citizens of the state. The office serves to provide public confidence in government. We employed 219 staff members (as of July 1996) dedicated to fulfilling the constitutional and statutory responsibilities of the office.

Services Provided

Financial Audits of State Government	Performance Audits of State Programs	Investigative Audits of State and Local Government
Actuarial Counsel to the Legislature	Review and Monitoring of Private CPA Audits of Local Government	Review of Local Tax Millages
Legal Counsel and Advice to State and Local Officials	Data Base of State and Local Fiscal Matters	Clearinghouse for State and Local Fiscal Reports

The Legislative Auditor maintains offices in Baton Rouge, New Orleans, and Shreveport to meet the foregoing obligations. These regional offices serve state and local government in their respective regions.

Independent Audit

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

LEGISLATIVE AUDITOR

Representatives. Copies of those audits are available for public inspection within my office. The accompanying financial statements include the reports of our independent certified public accountants for the 1996 year.

Financial Trends

The financial trends of the Legislative Auditor generally reflect those of the state as a whole. The following is a summary of the budgeted operating expenditures of the Legislative Auditor over the last five years:

1992/93	1993/94	1994/95	1995/96	1996/97
\$10,212,026	\$10,895,356	\$11,370,821	\$11,428,572	\$11,428,572

1996 Financial Highlights

Our 1996 budget was a stand-still program budget.

During the 1995-96 fiscal year, we generated \$5,284,702 in self-generated funds that were deposited in the Ancillary Enterprise Fund, as compared to \$5,638,001 for the prior year. During 1996, we spent less of our audit effort within local government, and more of our audit effort in state government, which decreased our self-generated audit fees.

In April of 1996, the Legislative Budgetary Control Council authorized the transfer of \$1,000,000 from the Ancillary Enterprise Fund to the state General Fund; that transfer is reflected on Statement B

At June 30, 1996, the Ancillary Enterprise Fund had a balance of \$1,261,926, which the legislature has established as a working capital reserve to fund operations of the Legislative Auditor. The 1996-97 legislative appropriation allotted \$5,743,216 from the balance in the Ancillary Enterprise Fund, and such revenues as may be generated in 1996-97, to fund operations of the office during 1996-97.

1996 Program Highlights

During 1996, we initiated a number of new projects for the benefit of the legislature and the citizens of the state. Significant efforts include:

- Gaming Industry. We continued our efforts to monitor the state's gaming industry. At year-end, we were planning our involvement with the state's new single gaming board.
- State Issues. We continued a program to highlight and examine issues of wide interest within state government that may not fall within the realm of conventional financial audit, investigative audit, or performance audit.

LEGISLATIVE AUDITOR

For example, we issued reports on certain contracts within the Department of Health and Hospitals, the Louisiana Health Care Authority, and the Department of Education.

- Performance Audit. We began a program of statewide performance audit, in accordance with Act 1100 of the 1995 Regular Session.
- Sunset Reviews. We began a program of providing greater information to standing committees of the legislature performing sunset reviews, required by Act 712 of the 1995 Regular Session.

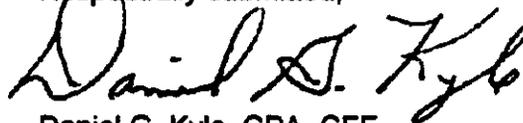
While I have highlighted these new matters, the bulk of our 1995-96 work has been the periodic audits of state and local government, the most important of which is our annual audit of the financial statements of the State of Louisiana and other financial services mandated by the legislature in past years. In that area, we have been successful. My review of issued audit reports, staff support to the Legislative Audit Advisory Council, input to the legislative process, and other functions of my office indicates that we have been as effective as in past years. We continually strive to increase the information provided to the legislature as it addresses the problems of the state.

Summary

The Legislative Auditor has met the constitutional and statutory provisions of law. We have done so in an efficient and effective manner. That effort has been accomplished by many dedicated individuals within my office. I am deeply grateful for their highly professional performance and dedication. I am also grateful for the support received by the office from the Louisiana Legislature and the citizens of our state.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK:GCA:dl

cc: Mr. Michael S. Baer III
Mr. A. W. Speer
Division of Administration

ANLRPT83.DOC

LEGISLATIVE AUDITOR

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

**ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 1996**

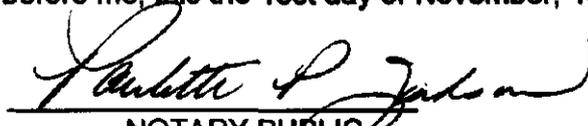
AFFIDAVIT

Personally came and appeared before me, the undersigned authority, Daniel G. Kyle, Legislative Auditor, of the Office of Legislative Auditor, who being duly sworn, deposes and says: That the statements herewith given are a true presentation of balances of the General Appropriation Fund and the Ancillary Enterprise Fund at June 30, 1996, and the results of transactions of such funds for the year then ended, in accordance with generally accepted accounting principles.



**LEGISLATIVE AUDITOR
Post Office Box 94397
Baton Rouge, LA 70804-9397**

Sworn to and subscribed before me, this the 13th day of November, 1996.



NOTARY PUBLIC
Parlette P. Jackson

Statement A

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

Balance Sheet, June 30, 1996

	GOVERNMENTAL FUND <u>GENERAL FUND</u>	ACCOUNT GROUPS		TOTAL (MEMO) ONLY
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION	
ASSETS AND OTHER DEBIT				
Cash in bank	\$589,851			\$589,851
Cash in state treasury-means of financing	993,131			993,131
Accounts receivable:				
Travel advances	331			331
Miscellaneous	5,474			5,474
Audit allocations and fees receivable:				
Billed, but uncollected, allocations and fees (net)	27,020			27,020
Earned fees, but unbilled	239,838			239,838
Prepaid expenses	1,357			1,357
Furniture, fixtures, and equipment		\$2,375,079		2,375,079
Other debit - Amount to be provided for retirement of general long-term obligation			\$962,313	962,313
TOTAL ASSETS AND OTHER DEBIT	\$1,857,002	\$2,375,079	\$962,313	\$5,194,394
LIABILITIES, EQUITY, AND OTHER CREDIT				
Liabilities:				
Accounts payable	\$164,476			\$164,476
Accrued salaries and related benefits	541,238			541,238
Compensated absences			\$962,313	962,313
Total Liabilities	705,714		962,313	1,668,027
Equity and Other Credit:				
Investment in general fixed assets		\$2,375,079		2,375,079
Fund balances:				
Reserve for encumbrances	186,352			186,352
Fund balance, unreserved-undesignated	964,936			964,936
Total Equity and Other Credit	1,151,288	2,375,079		3,526,367
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT	\$1,857,002	\$2,375,079	\$962,313	\$5,194,394

The accompanying notes are an integral part of this statement.

Statement B

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GOVERNMENTAL FUND
(ALL FUND TYPES)**

**Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 1996**

	<u>GENERAL FUND</u>
REVENUES	
State General Fund Appropriation	\$5,986,984
Audit fees and allocations	5,258,116
Interest	23,228
Photocopies	3,343
Miscellaneous	15
Total Revenues	<u>11,271,686</u>
EXPENDITURES	
Personal services	9,616,128
Travel	504,694
Operating services	488,214
Supplies	48,222
Professional services	42,630
Capital outlay	613,661
Bad debts	7,175
Total Expenditures	<u>11,320,724</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	 (49,038)
OTHER FINANCING USE	
Transfer to the State Treasury, General Fund	<u>(1,000,000)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	 (1,049,038)
BEGINNING OF THE YEAR FUND BALANCE (BUDGETARY BASIS)	 1,841,244
Adjustment for accounting principle change	359,082
BEGINNING OF THE YEAR FUND BALANCE-RESTATED	<u>2,200,326</u>
END OF THE YEAR FUND BALANCE	<u>\$1,151,288</u>

The accompanying notes are an integral part of this statement.

**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GENERAL FUND**

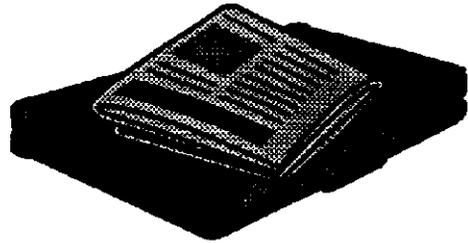
**Statement of Revenues, Expenditures and
Encumbrances, and Changes in Fund Balance -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1996**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES APPROPRIATED BY LEGISLATURE			
State General Fund	\$5,986,984	\$5,986,984	
Audit fees and self-generated revenues	5,743,216	5,301,038	(\$442,178)
Prior year returns (underliquidated encumbrances)		26,583	\$26,583
Total Revenues	11,730,200	11,314,605	(415,595)
EXPENDITURES AND ENCUMBRANCES			
Personal services	9,776,177	9,605,933	\$170,244
Travel	582,119	489,066	93,053
Operating services	535,283	463,331	71,952
Supplies	52,511	46,811	5,700
Professional services	47,569	15,200	32,369
Capital outlay	434,913	402,677	32,236
Bad Debt		7,175	(7,175)
Total expenditures and encumbrances	11,428,572	11,030,193	398,379
EXCESS OF EXPENDITURES AND ENCUMBRANCES OVER REVENUES	301,628	284,412	(17,216)
OTHER FINANCING USE			
Transfer to the State Treasury, General Fund	(1,000,000)	(1,000,000)	
EXCESS OF REVENUES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USE	(698,372)	(715,588)	(17,216)
FUND BALANCE BEGINNING OF THE YEAR (budgetary basis)			
	1,841,244	1,841,244	
Less budget carryover (1)	(26,583)	(26,583)	
FUND BALANCE BEGINNING OF THE YEAR	1,814,661	1,814,661	
FUND BALANCE END OF YEAR	\$1,116,289	\$1,099,073	(\$17,216)
Reconciliation, Statement A			
Earned fees, but unbilled		239,838	
Current year encumbrances included in expenditures		186,352	
Accrued payroll not budgeted in current year		(373,973)	
Total Ending Fund Balance, Statement A		\$1,151,290	

(1) Budget includes fund balance carried over from prior years. It is not revenue of the current year, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for carryover to reflect the budgetary ending fund balance projected.

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, 1996**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Legislative Auditor is a state audit organization for the State of Louisiana, within the legislative branch of state government. The Legislative Auditor is responsible for audits and examinations of the records and accounts of all public boards and commissions and any agency, department, or political subdivision of the state, as provided by Louisiana Revised Statutes 24:511-521. The Legislative Auditor is authorized by Article III, Section 11 of the Louisiana Constitution of 1974.

The Legislative Auditor has audit responsibility for some 3,500 units of state and local government and quasi-public corporations, some of which are audited by certified public accountants with oversight and monitoring provided by the Legislative Auditor. The auditor's main office is located in Baton Rouge, Louisiana, with area offices located in New Orleans and Shreveport. The Legislative Auditor employs 219 staff members, including auditors, data processing personnel, an actuary, 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 and account groups of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The Legislative Auditor's General fund contains two sub-funds, the General Appropriation Fund and Ancillary Enterprise Fund.

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A. FUND ACCOUNTING

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

General Appropriation Fund

The General Appropriation Fund accounts for the appropriated operating revenues, transfers, and expenditures of the Legislative Auditor. All appropriated revenues are deposited into this fund from which operating expenditures are made.

Ancillary Fund

The Ancillary Fund (which has a legal name of Ancillary Enterprise Fund) was established to provide a source of working capital to the Legislative Auditor for audits in which the Legislative Auditor is authorized to charge audit fees for certain state and local audits. These fees are not billable until the end of the examination; therefore, the fund is used as a source of working capital during the audit until such time as the audit fees are billed or costs allocated, collected, and available to fund operations.

The Legislative Auditor is also authorized to allocate costs relating to state government to state agencies. 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.

Account Groups

The account groups are a reporting device designed to provide accountability for certain long-term assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a modified accrual basis of accounting.

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Revenues

The state General Fund appropriation is recognized when appropriated. Audit fees are recognized when the audit fees are earned. Allocated state costs are recognized in the year allocated. Miscellaneous revenues are recognized when earned.

Transfers are recognized upon the actual transfer of funds.

Expenditures

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

Statement C is not intended to reflect operations of the Legislative Auditor in accordance with generally accepted accounting principles in that (1) obligations of employee vested annual and sick leave are recorded as expenditures when paid; (2) salaries and related benefits are recognized when paid unless specific authorization is provided in the annual legislative appropriation; and (3) encumbrances are recorded as an expenditure when purchase orders are issued. The statement is intended to compare the annual budget, which is not prepared in accordance with generally accepted accounting principles with comparable expenditures and encumbrances for the period.

During the 1996 fiscal year, the Legislative Auditor changed its method of financial reporting from a budgetary method to generally accepted accounting principles. In the opinion of the Legislative Auditor, such statements more accurately reflect the activities of the office.

Statement B reflects an adjustment of \$359,082 to restate beginning fund balance for the accounting change. This adjustment is detailed as follows:

	<u>General Appropriation Fund</u>	<u>Ancillary Fund</u>	<u>Total</u>
Unrecorded salaries and fringe benefits payable, June 30, 1995	(362,928)		(362,928)
Earned, but unbilled audit fees at June 30, 1995		\$229,588	229,588
Encumbrances, previously expensed, June 30, 1995	492,422		492,422
Adjustment	<u>\$129,494</u>	<u>\$229,588</u>	<u>\$359,082</u>

LEGISLATIVE AUDITOR

C. FIXED ASSETS

The accompanying statements reflect furniture, fixtures, and equipment used by the Legislative Auditor, and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost in the General Fixed Asset Account Group. Fixed assets are not depreciated.

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

D. BUDGETARY PRACTICES

The legislative appropriation made for the general operations of the office is an annual, lapsing appropriation. Amounts not expended or encumbered at September 1, 1996, 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. During the year, the legislature authorized a supplemental appropriation to the Legislative Auditor of \$301,628 to replace audit allocations to state agencies that did not have budgeted funds to pay the allocations.

Transfers from the Ancillary Fund are limited by the legislative appropriation and such amendments that may be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council.

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 1995-96 budget year to establish, if needed, working capital for the Ancillary Fund. The appropriation was not drawn by the Legislative Auditor and is not reflected as a revenue (or budgeted revenue) on Statements B or C in that the Legislative Auditor has not historically drawn such amount to fund operations.

E. ENCUMBRANCES

Encumbrance accounting is used for the General Appropriation Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current-year appropriation.

LEGISLATIVE AUDITOR

F. LEAVE BENEFITS

Accumulated unpaid annual, sick, and compensatory leave are reported in the General Long-Term Obligation Account Group within the accompanying financial statements. The office's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the office's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 1996, 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, total \$962,313.

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

Balance July 1, 1995	Net Change	Balance June 30, 1996
\$916,322	\$45,991	\$962,313

G. POSTRETIREMENT BENEFITS

The Legislative Auditor provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the Legislative Auditor. These benefits for retirees and similar benefits for active employees are provided through the state's Group Benefits Program, whose monthly premiums are paid jointly by the employee and the Legislative Auditor. The Legislative Auditor recognizes the cost of providing these benefits as an expenditure in the year paid. For the year ended June 30, 1996, the employer's cost of retiree benefits totaled \$174,415 for 74 retirees, funded through the legislative appropriation. Retirees pay one-half their health benefits.

H. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis.

LEGISLATIVE AUDITOR

Data in this column does not present financial position. Neither is such data comparable to a consolidation.

2. 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 (504) 922-0600.

Funding Policy Plan members of the Legislative Auditor are required by state statute to contribute 7.5 percent of their annual covered salary and the office (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Legislative Auditor's employer contributions to LASERS for the years ending June 30, 1996, 1995, and 1994, were \$950,802, \$917,052, and \$871,138, respectively, and were equal to the required contributions for each year.

3. RECEIVABLES

Billed, but uncollected, audit allocations and fees are reflected net of an allowance for uncollectibles on the balance sheet. Gross allocations and fees were \$35,928, less the allowance of \$8,908, leaving a net receivable of \$27,020.

4. ANCILLARY FUND BALANCE

Under the provisions of the annual appropriation act, the Louisiana Legislature established the Ancillary Fund as a working capital reserve. The year-end balance within the fund is available to fund future year expenditures of the office to the extent appropriated each year by the legislature.

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5. FURNITURE, FIXTURES, AND EQUIPMENT

At June 30, 1996, the Legislative Auditor has an inventory totaling \$2,375,079 of furniture, fixture, and equipment or movable property. The following summarizes transactions during the year.

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Movable property	\$2,457,394	\$416,092	\$498,407	\$2,375,079

The Legislative Auditor has fully complied with the provisions of Louisiana Revised Statute Title 39 as it relates to movable property.

6. LEASE AGREEMENTS

The Legislative Auditor has operating lease agreements for office space in New Orleans and Shreveport. These leases extend through 1998. 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. Rental and lease expenditures for the year totaled \$37,619.

7. CASH IN BANK AND STATE TREASURY

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

<u>Bank</u>	<u>Fund</u>	<u>Balance</u>
City National Bank	General	\$589,851
City National Bank	Payroll Account	None

In addition, the Legislative Auditor maintains accounts with the Louisiana Department of Treasury.

Under state law, the Legislative Auditor may deposit funds with a fiscal agent bank selected and designated by the Interim Emergency Board. These public deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank (Category 3) in a holding or custodial bank with safekeeping receipts held by the state treasurer. The bank deposits at June 30, 1996, are secured as follows:

	Bank Balance	FDIC Insurance	Pledged Securities
Account balances	\$638,145	\$100,000	\$1,228,057

LEGISLATIVE AUDITOR

Deposits held in the state treasury are secured under similar arrangements by the state treasurer.

8. 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, 1996, the Legislative Auditor is involved in various lawsuits relating to his function as the state auditor. In the opinion of legal counsel, resolution of the litigation would not result in substantial liability to the Legislative Auditor (or State of Louisiana) and, accordingly, is not recorded in the accompanying financial statements.

9. PROFESSIONAL SERVICES

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

DBM Services (computer advisory services)	\$21,800
NASACT (peer review services)	13,348
Dr. Don Deis (strategic planning/measures)	<u>7,482</u>
Total	\$42,630

10. DEFERRED COMPENSATION PLAN

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the state (without being restricted to the provisions of benefits under the plan), subject only to the claims of the state's general creditors. Participants' rights under the plan are equal to those of general creditors of the state in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of legal counsel that the state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary, prudent investor. The state believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

LEGISLATIVE AUDITOR

Amounts relating to the Louisiana Public Employees Deferred Plan, which would include participation by certain employees of the Legislative Auditor, are included within the financial statements of the State of Louisiana.

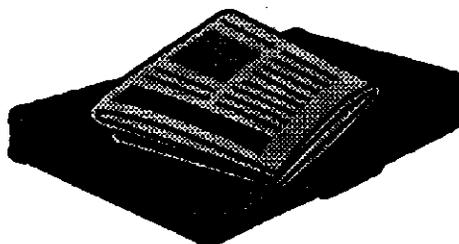
11. OTHER COSTS

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

12. ALLOCATION

State law allows the Legislative Auditor to allocate accounting, audit and other costs associated with state government. The legislative appropriation for 1995-96 authorized the Legislative Auditor to allocate up to \$5,000,000 of such costs to state agencies.

Schedules



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

Balance Sheet, June 30, 1996

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	TOTAL GENERAL FUND
ASSETS			
Cash in bank	\$589,851		\$589,851
Cash in state treasury-means of financing		\$993,131	993,131
Accounts receivable:			
Travel advances	331		331
Miscellaneous	3,537	1,937	5,474
Audit allocations and fees receivable:			
Billed, but uncollected, allocations and fees (net)		27,020	27,020
Earned fees, but unbilled		239,838	239,838
Prepaid expenses	1,357		1,357
TOTAL ASSETS	\$595,076	\$1,261,926	\$1,857,002
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$164,476		\$164,476
Accrued salaries and related benefits	541,238		541,238
Total Liabilities	705,714		705,714
Fund balances:			
Reserve for encumbrances	186,352		186,352
Fund balance (deficit)	(296,990)	1,261,926	964,936
Total Fund Balances	(110,638)	1,261,926	1,151,288
TOTAL LIABILITIES AND FUND BALANCES	\$595,076	\$1,261,926	\$1,857,002

The accompanying notes are an integral part of this schedule.

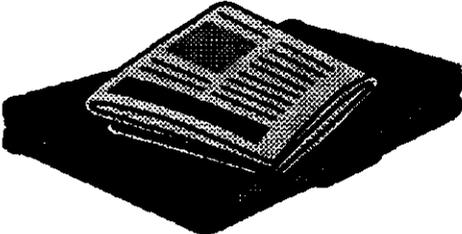
**LEGISLATIVE AUDITOR
STATE OF LOUISIANA
GENERAL FUND
(ALL APPROPRIATED AND NON-APPROPRIATED FUNDS)**

**Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 1996**

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	TOTAL GENERAL FUND
REVENUES			
State General Fund appropriation	\$5,685,356	\$301,628	\$5,986,984
Audit fees and allocations		5,258,116	5,258,116
Interest		23,228	23,228
Photocopies		3,343	3,343
Miscellaneous		15	15
Total Revenues	5,685,356	5,586,330	11,271,686
EXPENDITURES			
Personal services	9,616,128		9,616,128
Travel	504,694		504,694
Operating services	488,214		488,214
Supplies	48,222		48,222
Professional services	42,630		42,630
Capital outlay	613,661		613,661
Bad debts		7,175	7,175
Total expenditures	11,313,549	7,175	11,320,724
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(5,628,193)	5,579,155	(49,038)
OTHER FINANCING SOURCE AND USES			
Transfer to the State Treasury, General Fund		(1,000,000)	(1,000,000)
Transfer to the Ancillary Fund	(26,583)	26,583	
Transfer from Ancillary Fund	5,414,644	(5,414,644)	
Total Other Financing Source and Uses	5,388,061	(6,388,061)	(1,000,000)
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USE	(240,132)	(808,906)	(1,049,038)
BEGINNING OF THE YEAR FUND BALANCE (BUDGETARY BASIS)			
Adjustment for accounting principles change	129,494	1,841,244	1,841,244
BEGINNING OF THE YEAR FUND BALANCE-RESTATED	129,494	2,070,832	2,200,326
END OF THE YEAR FUND BALANCE (Deficit)	(\$110,638)	\$1,261,926	\$1,151,288

The accompanying notes are an integral part of this schedule.

Independent Auditor's Reports





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Accountants

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Advisors

INDEPENDENT AUDITOR'S REPORT

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the Legislative Auditor's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1 to the financial statements, the financial statements of the Legislative Auditor, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Auditor, State of Louisiana, as of June 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 17 and 18 are presented for the purposes of additional analysis and are not a required part of the financial statements of the Legislative Auditor, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 1996 on our consideration of the Legislative Auditor, State of Louisiana's internal control structure and a report dated September 13, 1996 on its compliance with laws and regulations.

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

Provost, Salter, Harper & Alford, L.L.C.
September 13, 1996



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT
CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana**

We have audited the financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 1996.

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.

The management of the Legislative Auditor is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are 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 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, projection 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 financial statements of The Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1996, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable 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 or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Legislative Auditor, State of Louisiana, management, and for the Louisiana Senate, Louisiana House of Representatives and the Legislative Audit Advisory Council. However, this report is a matter of public record, and its distribution is not limited.

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

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

September 13, 1996

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 1996.

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, regulations, contracts, and grants applicable to the Legislative Auditor is the responsibility of the Legislative Auditor's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Legislative Auditor's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the 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 of the Legislative Auditor, State of Louisiana, management, and for the Louisiana Senate, Louisiana House of Representatives and the Legislative Audit Advisory Council. However, this report is a matter of public record and its distribution is not limited.

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

Provost, Salter, Harper & Alford, L.L.C.
September 13, 1996