

LOUISIANA LEGISLATIVE AUDITOR
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

OUR VISION

We envision an accountable, transparent, responsive government that provides efficient and effective services for the benefit of the people of Louisiana.

OUR MISSION

To foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information.

OUR GOALS

Plan and perform quality audit and advisory services of state and local government and not-for-profit organizations in an efficient and effective manner.

Communicate the results of our audit services to the public, legislature, public officials, and other decision makers timely and effectively.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Ten copies of this public document were produced at an approximate cost of \$28.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Louisiana Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9286 or Report ID No. 72173310 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at (225) 339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis	5
	Statement
Basic Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Position..... A	14
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities..... B	15
Notes to the Financial Statements	16
	Schedule
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund..... 1.....	40
Schedule of Funding Progress for the Other Postemployment Benefits Plans..... 2.....	41
Schedule of Employer’s Proportionate Share of the Net Pension Liability	43
Schedule of Employer’s Pension Contributions..... 4.....	44
Supplementary Information:	
Combining Balance Sheet - General Fund (All Appropriated and Non-appropriated Funds)..... 5.....	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund (All Appropriated and Non-appropriated Funds)..... 6.....	48
	Exhibit
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

November 10, 2017

Legislative Auditor
State of Louisiana
Baton Rouge, LA

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Louisiana Legislative Auditor, a component unit of the State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Louisiana Legislative Auditor's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

www.dhhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Louisiana Legislative Auditor as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress for the Louisiana Legislative Auditor's other postemployment plans, the schedule of the Louisiana Legislative Auditor's proportionate share of the net pension liability, and the schedule of the Louisiana Legislative Auditor's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisiana Legislative Auditor's basic financial statements. The schedules on pages 47 and 48 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Louisiana Legislative Auditor. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of the Louisiana Legislative Auditor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Legislative Auditor's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis of the Louisiana Legislative Auditor’s financial performance presents a narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements, which follow this section.

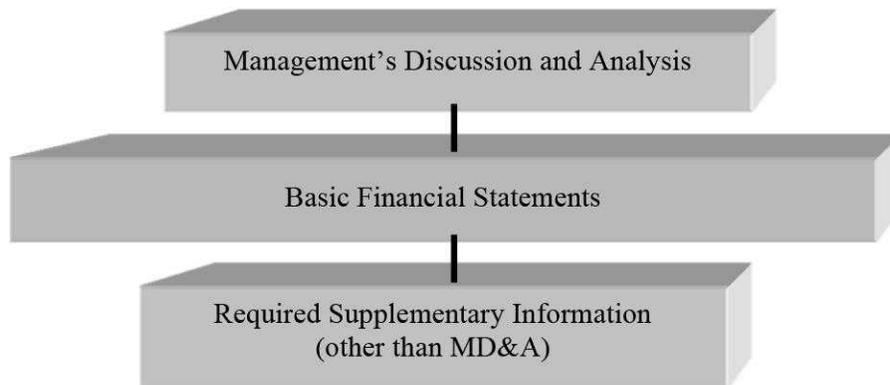
FINANCIAL HIGHLIGHTS

The Louisiana Legislative Auditor’s net position decreased by \$5,878,051 to (\$69,829,808) from June 30, 2016, to June 30, 2017.

Program revenues increased by \$802,372, to \$23,324,133. General revenues fluctuate depending upon levels of appropriations received from the State General Fund. General revenues decreased by \$986,001, from \$10,025,478 to \$9,039,477.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum reporting requirements established by GASB Statement 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*.



This financial report consists of three sections: Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. Management’s Discussion and Analysis is intended to serve as an introduction to the Louisiana Legislative Auditor’s basic financial statements. The Basic Financial Statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional information to supplement the Basic Financial Statements, such as Required Supplementary Information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Louisiana Legislative Auditor's finances in a manner similar to private-sector businesses.

The Statement of Net Position (page 14) presents information on all of the Louisiana Legislative Auditor's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position may provide a useful indicator of whether the financial position of the Louisiana Legislative Auditor is improving or deteriorating. From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the office. Financial statement readers are also able to determine how much the Louisiana Legislative Auditor owes vendors and others. Finally, the Statement of Net Position provides a summary of the combined net position and their availability for expenditure.

The Statement of Activities (page 15) presents information showing how the Louisiana Legislative Auditor's net position changed during the most recent fiscal year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Louisiana Legislative Auditor uses a single fund to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Louisiana Legislative Auditor's only fund, the general fund.

The Louisiana Legislative Auditor uses only one fund type, the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Louisiana Legislative Auditor's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

Notes to the Financial Statements

The notes (pages 16-38) provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Louisiana Legislative Auditor's budgetary comparison (Schedule 1), progress in funding its obligations to provide other postemployment benefits (Schedule 2), proportionate share of the net pension liability (Schedule 3), and pension contributions (Schedule 4).

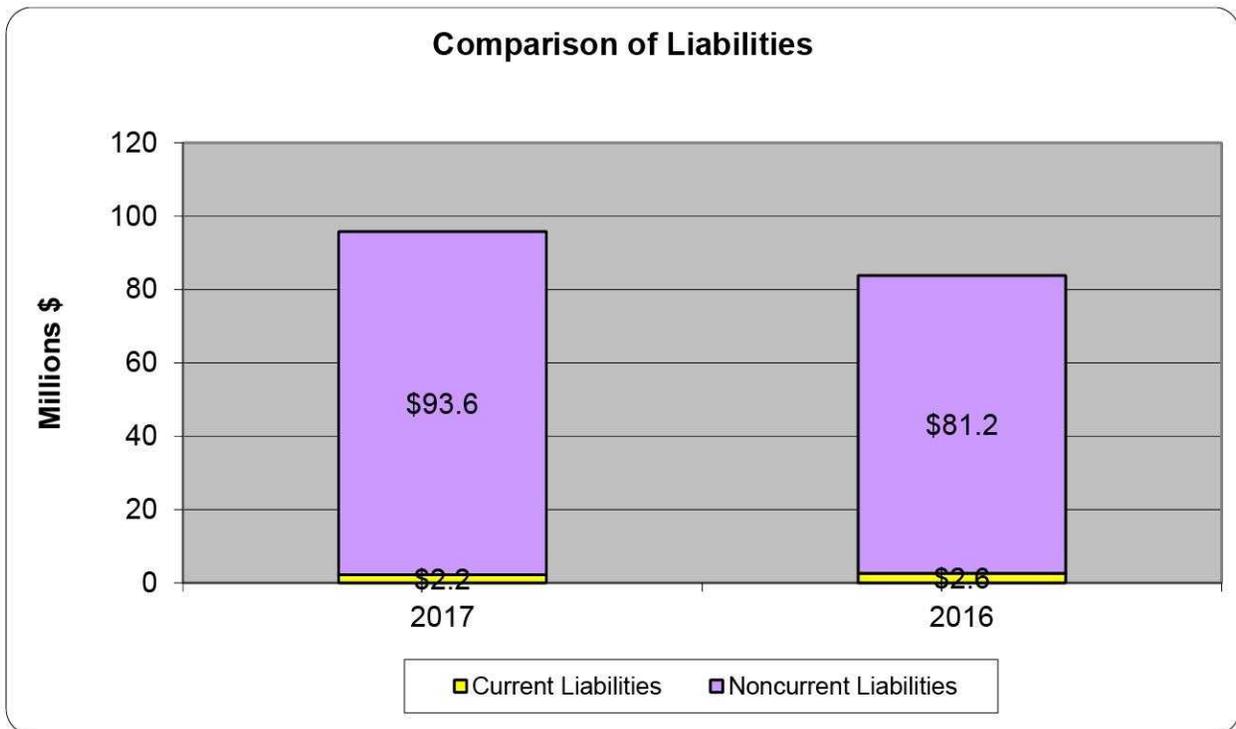
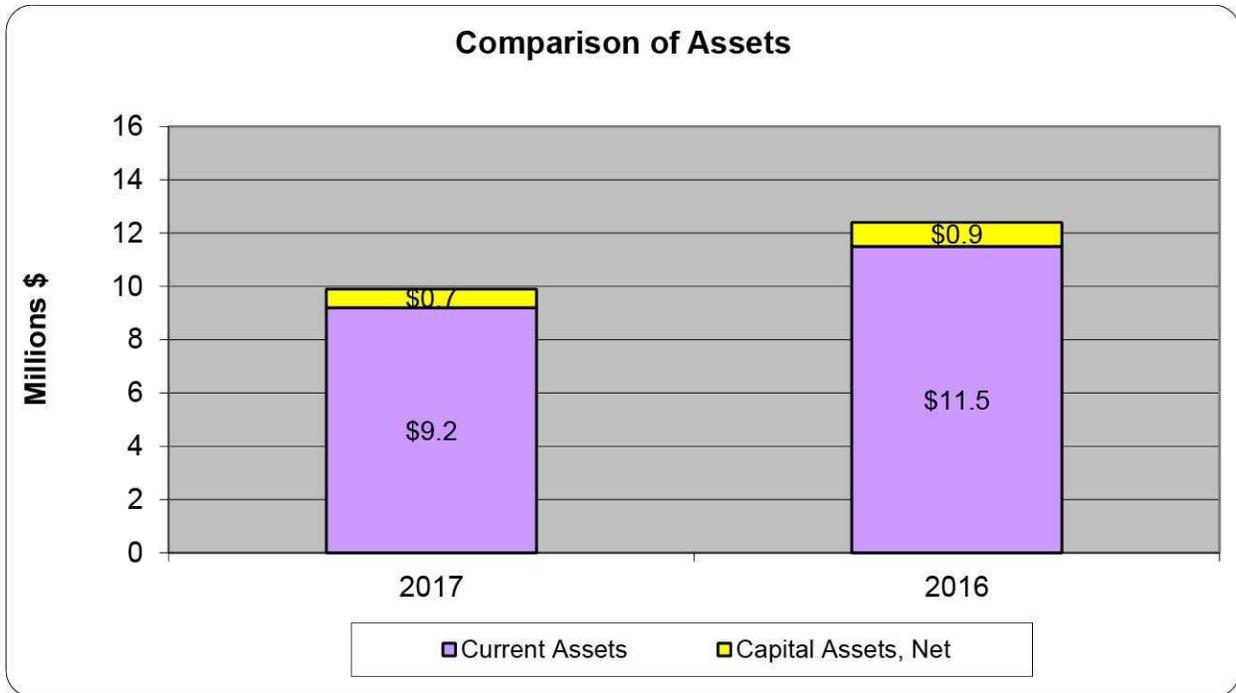
Following the required supplementary information is other supplementary information that further explains and supports the information in the financial statements (Schedules 5 and 6).

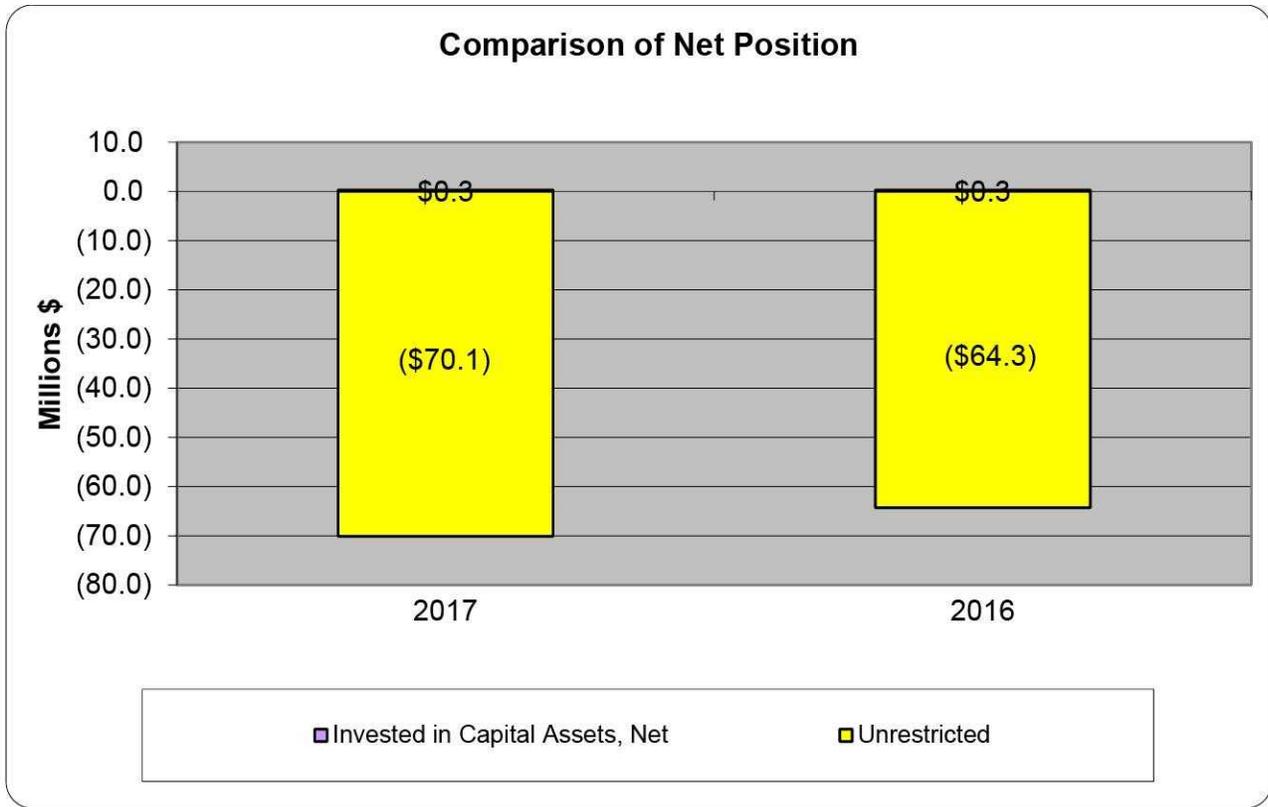
FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Louisiana Legislative Auditor, liabilities and deferred inflows exceeded assets and deferred outflows by \$69,829,808 at the close of the most recent fiscal year. Included in the Louisiana Legislative Auditor's net position is its net investment in capital assets (e.g., equipment). These assets are not available for future spending.

**Comparative Statement of Net Position
For the Years as of
June 30, 2017 and 2016**

	2017	2016	Change	Percentage Change
Assets				
Current assets	\$9,173,359	\$11,503,179	(\$2,329,820)	(20.3%)
Capital assets, net	751,360	919,076	(167,716)	(18.2%)
Total assets	<u>9,924,719</u>	<u>12,422,255</u>	<u>(2,497,536)</u>	(20.1%)
Deferred Outflows	<u>17,091,943</u>	<u>8,204,207</u>	<u>8,887,736</u>	108.3%
Liabilities				
Current liabilities	2,211,989	2,633,351	(421,362)	(16.0%)
Noncurrent liabilities	93,603,876	81,153,026	12,450,850	15.3%
Total liabilities	<u>95,815,865</u>	<u>83,786,377</u>	<u>12,029,488</u>	14.4%
Deferred Inflows	<u>1,030,605</u>	<u>791,842</u>	<u>238,763</u>	30.2%
Net Position				
Net investment in capital assets	292,327	317,409	(25,082)	(7.9%)
Unrestricted	<u>(70,122,135)</u>	<u>(64,269,166)</u>	<u>(5,852,969)</u>	(9.1%)
Total net position	<u><u>(\$69,829,808)</u></u>	<u><u>(\$63,951,757)</u></u>	<u><u>(\$5,878,051)</u></u>	(9.2%)





The preceding graphs are prepared from the Louisiana Legislative Auditor’s Statement of Net Position, which is presented on an accrual basis of accounting, whereby assets are capitalized and depreciated.

Total assets of the Louisiana Legislative Auditor decreased by \$2,497,536, or 20.1%. The decrease in assets is due mainly to the return of \$2,000,000 from the Ancillary Enterprise Fund as required by Act 1 of the 2017 First Extraordinary Session.

Total deferred outflows of the Louisiana Legislative Auditor increased by \$8,887,736, or 108.3%. The increase in deferred outflows is due to the difference between projected and actual earnings on pension plan investments.

Total liabilities of the Louisiana Legislative Auditor increased by \$12,029,488, or 14.4%. The increase in liabilities is due mainly to a 18% increase in the net pension liability.

**Comparative Statement of Activities
For the Years Ended
June 30, 2017 and 2016**

	2017	2016	Change	Percentage Change
Program revenues:				
Audit fees and allocations	\$23,324,133	\$22,521,761	\$802,372	3.6%
Total program revenues	<u>23,324,133</u>	<u>22,521,761</u>	<u>802,372</u>	3.6%
General revenues:				
State General Fund appropriation	9,013,341	10,014,823	(1,001,482)	(10.0%)
Interest	23,127	7,234	15,893	219.7%
Miscellaneous	3,009	3,421	(412)	(12.0%)
Total general revenues	<u>9,039,477</u>	<u>10,025,478</u>	<u>(986,001)</u>	(9.8%)
Total revenues	<u>32,363,610</u>	<u>32,547,239</u>	<u>(183,629)</u>	(0.6%)
Expenses:				
Personnel services and related benefits	32,115,929	28,479,910	3,636,019	12.8%
Travel	362,120	503,774	(141,654)	(28.1%)
Operating services	1,648,936	1,585,406	63,530	4.0%
Supplies	318,558	175,916	142,642	81.1%
Professional services	1,512,884	1,207,061	305,823	25.3%
Depreciation	266,564	286,982	(20,418)	(7.1%)
Debt service	16,670	17,249	(579)	(3.4%)
Loss on disposal of capital asset		2,195	(2,195)	(100.0%)
Total expenses	<u>36,241,661</u>	<u>32,258,493</u>	<u>3,983,168</u>	12.3%
Excess (deficiency) before transfers	(3,878,051)	288,746	(4,166,797)	(1,443.1%)
Transfers to State General Fund	<u>(2,000,000)</u>	<u>(444,036)</u>	<u>(1,555,964)</u>	350.4%
Increase (decrease) in net position	(5,878,051)	(155,290)	(5,722,761)	(3,685.2%)
Net position at beginning of year	<u>(63,951,757)</u>	<u>(63,796,467)</u>	<u>(155,290)</u>	(0.2%)
Net position at end of year	<u><u>(\$69,829,808)</u></u>	<u><u>(\$63,951,757)</u></u>	<u><u>(\$5,878,051)</u></u>	(9.2%)

The Statement of Activities reflects a negative change for the year. Net position decreased by \$5,878,051 in 2017, compared to a decrease of \$155,290 in 2016. Net position decreased mainly due to an increase in pension expense and the return of \$2,000,000 from the Ancillary Enterprise Fund as required by Act 1 of the 2017 First Extraordinary Session as part of the state's overall mid-year budget reduction.

Other highlights of the information that have a significant impact on the amounts presented in the Statement of Activities are:

- Personnel services and related benefits increased mainly due to an increase in pension expense.
- Travel expense decreased due to changes in the location of audit assignments and to changes in the location of personnel assigned to them.

- Supplies expense increased because there was an increase in purchases of assets that did not meet the capitalization threshold. A significant number of computers were replaced but did not meet the capitalization threshold.
- Professional services expense increased due to a larger reliance on contracted actuarial services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Louisiana Legislative Auditor's investment in capital assets, net of accumulated depreciation, as of June 30, 2017, is \$751,360. This investment in capital assets includes office furniture and equipment, computer equipment, and vehicles. The total decrease in capital assets for the current fiscal year was 18.2%. Depreciation accounted for the majority of this decrease.

In fiscal year 2016, the Louisiana Legislative Auditor entered into a five-year extended terms payment agreement for the purchase of replacement computer equipment for office data storage and disaster recovery. This option was used to help avoid drastic cyclical changes in the budget for the replacement of this equipment. In addition, there are long-term liabilities related to other postemployment benefits, pensions, and compensated absences. For additional information concerning capital assets and long-term liabilities, refer to notes 5, 6, and 12.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with Act 1 of the 2017 First Extraordinary Session, there was one change which required the return of \$2,000,000 from the fund balance of the Ancillary Enterprise Fund. The only other changes to the budget during the fiscal year were for changes between expenditure categories to respond to changing business needs. Actual collections from self-generated audit fees and allocations exceeded the budget by \$241,975. In addition, actual expenditures were under budget by \$1.55 million. These variances should have no significant effect on future services or liquidity.

ECONOMIC OUTLOOK

The Louisiana Legislative Auditor's overall financial position has diminished due to recent budget cuts to the State General Fund appropriation totaling \$1.4 million and due to a mid-year budget reduction measure requiring the return of \$2,000,000 to the State General Fund from the Ancillary Enterprise Fund. These legislative actions have reduced the remaining fund balance on which the office relies to fund continuing operations. Before these budget reductions took place, fund balance was expected to provide supplemental funding necessary to continue the current level of services through fiscal year 2020. These cuts would have likely required drastic changes in fiscal year 2019; therefore, staff positions were reduced by 5% in fiscal year 2018 by eliminating vacant positions, and other budget reducing measures were taken during fiscal year 2017. Assuming there are no other significant budget cuts, there should be sufficient fund balance to maintain current operations through fiscal year 2019. Afterwards, fund balance will be exhausted, and an alternative funding source will need to be found or expenses will need to be reduced significantly to maintain a balanced budget.

In the long term, the office faces funding significant liabilities of its retirement plans. GASB Statement No. 68 required the recognition of the office's proportionate share of the net pension liability, and GASB will require the same for OPEB liabilities in future years. Although recent legislative changes to the plans have resulted positively on the plans' unfunded accrued liabilities, these significant liabilities will remain for many years.

CONTACTING THE LOUISIANA LEGISLATIVE AUDITOR'S MANAGEMENT

The accompanying financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Louisiana Legislative Auditor's finances and to show the office's accountability and oversight for the money it receives. Questions about this report or the need for additional financial information can be addressed by contacting Mr. Wayne DeLeo, Comptroller, Louisiana Legislative Auditor, P.O. Box 94397, Baton Rouge, Louisiana 70804-9397, phone number (225) 339-3800.

LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Governmental Fund Balance Sheet/
Statement of Net Position
June 30, 2017

	GENERAL FUND	ADJUSTMENTS *	STATEMENT OF NET POSITION
ASSETS			
Cash in bank (note 2)	\$6,002,095		\$6,002,095
Cash in State Treasury - means of financing (note 2)	152,054		152,054
Accounts receivable (note 3)	2,635,725		2,635,725
Prepaid expenses (note 4)	383,485		383,485
Capital assets (net of allowance for depreciation) (note 5)		\$751,360 (1)	751,360
Total Assets	<u>\$9,173,359</u>	<u>751,360</u>	<u>9,924,719</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (note 8)		17,091,943 (3)	17,091,943
LIABILITIES			
Accounts payable	\$878,904		878,904
Accrued salaries and related benefits	1,040,520		1,040,520
Notes payable (notes 6 and 12):			
Current portion		147,702 (3)	147,702
Noncurrent portion		311,331 (3)	311,331
Compensated absences (notes 7 and 12):			
Current portion		144,863 (3)	144,863
Noncurrent portion		1,974,422 (3)	1,974,422
OPEB payable (notes 9 and 12)		15,188,075 (3)	15,188,075
Net pension liability (note 8 and 12)		76,130,048 (3)	76,130,048
Total Liabilities	<u>1,919,424</u>	<u>93,896,441</u>	<u>95,815,865</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (note 8)		1,030,605 (3)	1,030,605
Deferred audit fees	2,486,811	(2,486,811) (2)	
Total Deferred Inflows of Resources	<u>2,486,811</u>	<u>(1,456,206)</u>	<u>1,030,605</u>
FUND BALANCE/NET POSITION			
Nonspendable - prepaid amounts	383,485	(383,485)	
Assigned (note 13)	4,383,639	(4,383,639)	
Total Fund Balance	<u>4,767,124</u>	<u>(4,767,124)</u>	
Total liabilities, deferred inflows of resources, and fund balance	<u>\$9,173,359</u>		
Net position (deficit):			
Net investment in capital assets		292,327	292,327
Unrestricted		(70,122,135)	(70,122,135)
TOTAL NET POSITION (DEFICIT)		<u>(\$69,829,808)</u>	<u>(\$69,829,808)</u>

***Explanations:**

- (1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the General Fund.
- (2) Deferred inflows of resources, such as accounts receivable for audit billings received after the 45-day accrual period, are not available to pay for current-period expenditures and, therefore, are deferred in the General Fund.
- (3) Long-term liabilities, such as compensated absences, notes payable, pension liabilities and its related deferred inflows and outflows, and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the General Fund.

The accompanying notes are an integral part of this statement.

LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA

Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2017

	GENERAL FUND	ADJUSTMENTS *	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
Personnel services and related benefits	\$28,158,042	\$3,957,887 (1)	\$32,115,929
Travel	362,120		362,120
Operating services	1,648,936		1,648,936
Supplies	115,426	203,132 (2)	318,558
Professional services (note 14)	1,512,884		1,512,884
Capital outlay	301,979	(301,979) (2)	
Depreciation		266,564 (2)	266,564
Debt service - principal	142,635	(142,635) (2)	
Debt service - interest	16,670		16,670
Total Expenditures/Expenses	<u>32,258,692</u>	<u>3,982,969</u>	<u>36,241,661</u>
PROGRAM REVENUES			
Audit fees and allocations	22,802,631	521,502 (3)	23,324,133
Total Program Revenues	<u>22,802,631</u>	<u>521,502</u>	<u>23,324,133</u>
Net Program Expenses			<u>(12,917,528)</u>
GENERAL REVENUES			
State General Fund appropriation	9,013,341		9,013,341
Interest	23,127		23,127
Miscellaneous	312	2,697 (1)	3,009
Total General Revenues	<u>9,036,780</u>	<u>2,697</u>	<u>9,039,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(419,281)	419,281	NONE
OTHER FINANCING USES:			
Transfer to State General Fund per Act 1 of 2017 First Extraordinary Session	<u>(2,000,000)</u>		<u>(2,000,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES/EXPENSES	(2,419,281)	2,419,281	NONE
CHANGE IN NET POSITION	NONE	(5,878,051)	(5,878,051)
FUND BALANCE/NET POSITION (Deficit)			
Beginning of the year	<u>7,186,405</u>	<u>(71,138,162)</u>	<u>(63,951,757)</u>
End of the year	<u>\$4,767,124</u>	<u>(\$74,596,932)</u>	<u>(\$69,829,808)</u>

***Explanations:**

(1) Expenses and revenues of long-term obligations for compensated absences, pension plans, and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.

(2) Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital outlays not meeting the capitalization threshold is reported as an expense (i.e., supplies) and amounts financed are capitalized.

(3) Revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the General Fund. This includes revenues received after the 45-day accrual period which are not available to pay for current-period expenditures. This amount is the net effect of the current and prior year deferrals.

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Legislative Auditor is a state audit organization for the State of Louisiana within the legislative branch of state government. The Louisiana 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 24:511-524. The Louisiana Legislative Auditor is authorized by Article III, Section 11 of the Louisiana Constitution of 1974.

The Louisiana Legislative Auditor has audit responsibility for approximately 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 Louisiana Legislative Auditor. The Louisiana Legislative Auditor's main office is located in Baton Rouge, Louisiana, with an area office located in New Orleans. The Louisiana Legislative Auditor employs 254 staff members, including auditors, information technology personnel, a General Counsel, and various administrative personnel. The Louisiana Legislative Auditor's operations are funded through an annual lapsing legislative appropriation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The accompanying financial statements of the Louisiana 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. However, the activity may be presented or classified differently due to perspective differences. The Louisiana Legislative Auditor has no fiduciary funds or component units.

C. FUND ACCOUNTING

The Louisiana Legislative Auditor has only a General Fund supported by an appropriation from the State of Louisiana and self-generated funds. The Louisiana Legislative Auditor's General Fund contains two sub-funds, the General Appropriation Fund and Ancillary Enterprise Fund.

General Appropriation Fund

The General Appropriation Fund accounts for the appropriated operating revenues, transfers, and expenditures of the Louisiana 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 Louisiana Legislative Auditor for audits in which the Louisiana 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 are allocated, collected, and available to fund operations.

The Louisiana 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.

D. BASIS OF ACCOUNTING

The accompanying governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to fund current operations. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Louisiana Legislative Auditor considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, compensated absences, pension costs, notes payable, and other postemployment benefits (OPEB) costs are recorded when payment is due.

The accompanying government-wide financial statements (Statement of Net Position and Statement of Activities) reflect entity-wide operations of the office. These statements 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.

Amounts reported as program revenues include charges for services such as audit fees and allocations. General revenues include State General Fund appropriations, interest, and other miscellaneous collections.

When both restricted and unrestricted resources are available for use, it is the Louisiana Legislative Auditor's policy to use unrestricted resources first, then restricted resources as needed.

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

E. BUDGET 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 5 and 6). Amounts not expended or encumbered at the close of the fiscal year must be returned to the General Fund of the State of Louisiana on or before October 1, 2017, unless otherwise reappropriated by subsequent legislative action. Current appropriation legislation authorizes such reappropriation of prior-year funds.

Amendments to the budget of State General Fund revenues must be approved by the Legislative Budgetary Control 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 co-chairmen of the Legislative Budgetary Control Council. Transfers between the expenditure classifications on Schedule 1 may be authorized by the Louisiana Legislative Auditor.

In addition to the amount appropriated for general operations of the Louisiana Legislative Auditor reflected on Schedule 1, the legislature appropriated \$350,000 to the Louisiana Legislative Auditor for the 2016-2017 budget year to establish, if needed, working capital for the Ancillary Fund. The appropriation was not drawn by the Louisiana Legislative Auditor and is not reflected as revenue (or budgeted revenue) on Schedule 1, in that the Louisiana Legislative Auditor has not historically drawn such amount to fund operations.

The budget for the General Fund is prepared on the budgetary (legal) basis of accounting. In compliance with budgetary authorization, the Louisiana Legislative Auditor includes

the prior year's fund balance represented by appropriated net position remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a generally accepted accounting principles basis do not recognize the fund balance allocation as revenue because it represents prior periods' excess of revenues over expenditures.

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.

F. CASH IN BANKS

The Louisiana Legislative Auditor defines cash as interest-bearing demand deposits. Under state law, the Louisiana Legislative Auditor may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Louisiana Legislative Auditor may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. For computer software purchased or developed for internal use, the capitalization threshold is \$1 million. For buildings, building improvements, and leasehold improvements, the capitalization threshold is \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Computer equipment	5 years
Office furniture and equipment	5 to 7 years
Vehicles	5 years
Computer software	3 years
Buildings and improvements	40 years
Leasehold improvements	Lesser of 20 years or lease term

H. COMPENSATED ABSENCES

The long-term obligation of accumulated unpaid annual, sick, and compensatory leave is recorded in the Statement of Net Position 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 all unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees can earn compensatory leave for hours worked in excess of 80 hours per pay period. The compensatory leave may be used similarly to annual or sick leave, and any unused balance is paid to the employee upon resignation or retirement.

I. NONCURRENT LIABILITIES

Noncurrent liabilities include notes payable and estimated amounts for accrued compensated absences, other postemployment benefits, and pension liabilities that will not be paid within the next fiscal year.

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL) and additions to/deductions from LASERS's and TRSL's fiduciary net position have been determined on the same basis as they are reported by LASERS and TRSL. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. FUND BALANCE

Fund balance is classified in the following components:

- (a) *Nonspendable* includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- (b) *Restricted* includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- (c) *Committed* includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Louisiana State Legislature through legislative action and does not lapse at year-end.
- (d) *Assigned* includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. In addition to amounts encumbered by management, it includes the portion of fund balance that has been approved by the Louisiana State Legislature for appropriation in the subsequent fiscal year's budget. A modification to the appropriated amount requires action by the Louisiana State Legislature; however, this approval lapses at year-end.

- (e) *Unassigned* is the residual amount of fund balance which does not fall into one of the other components.

The Louisiana Legislative Auditor applies unrestricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Within unrestricted fund balance, unassigned amounts are reduced first followed by assigned and then committed amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The Louisiana Legislative Auditor does not have a formal minimum fund balance policy.

K. NET POSITION

Net position comprises the various net earnings from revenues and expenses. Net position is classified in the following components:

- (a) *Net investment in capital assets* consists of the Louisiana Legislative Auditor's total investment in capital assets, net of accumulated depreciation and related debt.
- (b) *Unrestricted* consists of resources derived from audit fees and allocations, state appropriations, interest earnings, and other miscellaneous sources. These resources are used for transactions relating to general operations of the Louisiana Legislative Auditor and may be used at its discretion to meet current expenses and for any purpose.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2017, the following statements were effective but did not significantly impact the financial statements of the Louisiana Legislative Auditor: GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units*.

2. CASH IN BANK AND STATE TREASURY

At June 30, 2017, the Louisiana Legislative Auditor has cash (book balances) in interest-bearing demand deposits totaling \$6,002,095. In addition, cash balances held and controlled by the State Treasurer totaled \$152,054. The balance held by the State Treasurer is secured from risk by the State Treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements.

3. RECEIVABLES

Revenues generated from audit fees or allocations to state agencies are recorded immediately when earned. Receivables as shown on Statement A, net of an allowance for doubtful accounts, are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Billed audit fees	\$60,104		\$60,104
Earned, but unbilled audit fees	2,571,412		2,571,412
Accrued interest	1,849		1,849
Other	2,360		2,360
Total	<u>\$2,635,725</u>	<u>NONE</u>	<u>\$2,635,725</u>

There is no noncurrent portion of accounts receivable. State law limits the Louisiana Legislative Auditor's credit risk by allowing the State Treasurer to withhold appropriations from those agencies owing audit fees and allocations.

4. PREPAID EXPENSES

Prepaid expenses, totaling \$383,485, consist of prepaid postage and operating services (e.g., maintenance and software agreements), totaling \$1,184 and \$382,301, respectively.

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Office equipment and furniture	\$557,507			\$557,507
Less accumulated depreciation	(526,726)	(\$23,583)		(550,309)
Total office equipment and furniture	<u>30,781</u>	<u>(23,583)</u>	NONE	<u>7,198</u>
Computer equipment	2,785,932	98,848	(\$516,850)	2,367,930
Less accumulated depreciation	(1,914,830)	(235,405)	516,850	(1,633,385)
Total computer equipment	<u>871,102</u>	<u>(136,557)</u>	NONE	<u>734,545</u>
Vehicles	58,460			58,460
Less accumulated depreciation	(41,267)	(7,576)		(48,843)
Total vehicles	<u>17,193</u>	<u>(7,576)</u>	NONE	<u>9,617</u>
Total capital assets being depreciated	<u>\$919,076</u>	<u>(\$167,716)</u>	NONE	<u>\$751,360</u>
Capital assets summary:				
Total cost of capital assets	\$3,401,899	\$98,848	(\$516,850)	\$2,983,897
Less accumulated depreciation	<u>(2,482,823)</u>	<u>(266,564)</u>	516,850	<u>(2,232,537)</u>
Capital assets, net	<u>\$919,076</u>	<u>(\$167,716)</u>	NONE	<u>\$751,360</u>

The accompanying statements do not include the value of land and buildings provided without cost to the Louisiana Legislative Auditor by the State of Louisiana. Those assets are recorded within the Comprehensive Annual Financial Report of the State of Louisiana.

6. NOTES PAYABLE

In March 2016, the Louisiana Legislative Auditor entered into a five-year extended terms payment agreement for the purchase of computer equipment totaling \$743,724 at a 3.5% interest rate. The following is a summary of future minimum payments as of June 30, 2017:

Year ended June 30:	Principal	Interest	Total
2018	\$147,702	\$11,604	\$159,306
2019	152,949	6,357	159,306
2020	158,382	924	159,306
Total	<u>\$459,033</u>	<u>\$18,885</u>	<u>\$477,918</u>

7. COMPENSATED ABSENCES

At June 30, 2017, employees of the Louisiana Legislative Auditor have accumulated and vested annual leave and compensatory leave of \$1,930,050, and \$189,235, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the Statement of Net Position and Statement of Activities.

8. PENSION PLANS

Plan Descriptions

The Louisiana Legislative Auditor is a participating employer in two statewide, public employee retirement systems, the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRSL). Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the State Legislature. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information. The reports for LASERS and TRSL may be obtained at www.lasersonline.org and www.trsl.org, respectively.

Benefits Provided

Retirement Benefits - LASERS

LASERS administers a plan to provide retirement, disability, and survivor benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. Act 992 of the 2010 Regular Session of the Louisiana Legislature closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members.

Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. All Louisiana Legislative Auditor's members are regular plan members. Regular plan members hired before July 1, 2006, may retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of service, or at age 60 upon completing 10 years of creditable service. Those members hired between July 1, 2006, and June 30, 2015, may retire at age 60 upon completing 5 years of creditable service, and those hired after June 30, 2015, may retire at age 62 upon completing 5 years of creditable service. Additionally, all regular plan members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for regular plan members is equal to 2.5% of average compensation multiplied by the number of years of

creditable service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed before July 1, 2006, or highest 60 consecutive months of employment for members employed on or after that date.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Retirement Benefits - TRSL

TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S 11:701. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in R.S. 11:761. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011.

Members of the Regular Plan whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015, may retire with a 2.5% benefit factor at age 62 upon completing at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age. Members hired between January 1, 2011, and June 30, 2015, may retire with a 2.5% benefit factor at age 60 upon completing at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age. Members hired between July 1, 1999, and December 21, 2010, are eligible for a 2.5% benefit factor at age 60 with 5 years of service, age 55 with 25 years of service, at any age with 30 years of service, and are eligible for an actuarially reduced benefit with 20 years of service at any age. Members hired before July 1, 1999, are eligible for a 2% benefit factor at age 60 with 5 years of service, or at any age with 20 years of service and are eligible for a 2.5% benefit factor at age 65 with 20 years of service, age 55 with 25 years of service, or at any age with 30 years of service.

Members of the Lunch Plan A may retire with a 3.0% annual accrual rate at age 55 with 25 years of service, age 60 with 5 years of service, or at any age with 30 years of service. Plan A is closed to new entrants.

Members of the Lunch Plan B hired before July 1, 2015, may retire with a 2.0% annual accrual rate at age 55 with 30 years of service or age 60 with 5 years of service. Members hired on or after July 1, 2015, may retire with a 2.0% annual accrual rate at age 62 with 5 years of service, or with an actuarially-reduced benefit with 20 years of service at any age.

For all defined-benefit TRSL plans, retirement benefits are based on a formula which multiplies the final average compensation by the applicable accrual rate, and by the years of creditable service. For Regular Plan and Lunch Plan B members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after January 1, 2011, final

average compensation is defined as the highest average 60-month period. For all other members, final average compensation is defined as the highest average 36-month period.

A retiring member is entitled to receive the maximum benefit payable until the member's death. In lieu of the maximum benefit, the member may elect to receive a reduced benefit payable in the form of a Joint and Survivor Option, or as a lump sum that can't exceed 36 months of the members' maximum monthly benefit amount.

Effective July 1, 2009, members may make an irrevocable election at retirement to receive an actuarially-reduced benefit which increases 2.5% annually, beginning on the first retirement anniversary date, but not before age 55 or before the retiree would have attained age 55 in the case of a surviving spouse. This option can be chosen in combination with the above options.

Deferred Retirement Benefits

LASERS and TRSL have each established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salaries for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Disability Benefits

Eligibility requirements and benefit computations for LASERS disability benefits are provided for in R.S. 11:461. Members in active state service who become disabled, and who are not eligible for regular retirement, may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age provided the member has at least 10 years of creditable service. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation. Once reaching normal retirement age, disability retirees may apply to receive regular retirement benefits.

Active members of TRSL whose first employment makes them eligible for membership in a Louisiana state retirement system before January 1, 2011, and who have five or more years of service credit, are eligible for disability retirement benefits if certified by the State Medical Disability Board to be disabled from performing their job. All other members must have at least 10 years of service to be eligible for a disability benefit. Calculation of the disability benefit as well as the availability of a minor child benefit is determined by the plan to which the member belongs and the date on which the member's first employment made them eligible for membership in a Louisiana state retirement system.

Survivor's Benefits

Provisions for LASERS survivor's benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member, hired before January 1, 2011, who was in state service at the time

of death must have a minimum of five years of service, at least two of which were earned immediately before death, or who had a minimum of 20 years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child. The deceased member, hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The minimum service credits for a surviving spouse include active service at the time of death and a minimum of 10 years of service credit, with two years being earned immediately prior to death, or a minimum of 20 years regardless of when earned. In addition, the deceased member's spouse must have been married for at least one year before death.

Provisions for TRSL survivor benefits are provided for in R.S. 11:762. A surviving spouse with minor children of an active member with at least five years of creditable service (two years immediately prior to death) is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) 50% of the member's benefit calculated at the 2.5% accrual rate for all creditable service. When minor children are no longer eligible to receive survivor benefits, and the deceased member had at least 10 years of creditable service, the spouse's benefit reverts to a survivor benefit in accordance with the provisions for a surviving spouse with no minor children. Benefits for the minor children cease when they are no longer eligible. Each minor child (maximum of two) shall receive an amount equal to the greater of (a) 50% of the spouse's benefit or (b) \$300 (up to two eligible children). Benefits to minors cease at attainment of age 21, marriage, or age 23 if enrolled in an approved institution of higher education. A surviving spouse without minor children of an active member with at least 10 years of creditable service (two years immediately prior to death) or 20 years of creditable service (regardless of when earned) is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) the option 2 equivalent of the benefit calculated at the 2.5% accrual rate for all creditable service. If a surviving spouse remarries before the age of 55 and the deceased active member had less than 20 years of creditable service, the surviving spouse's benefit will cease.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS and TRSL allow for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions

Employee contribution rates are established by R.S. 11:62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the systems' actuaries. Each plan pays a separate actuarially determined employer contribution rate. However, all assets

of each plan are used for the payment of benefits for all classes of members within each system, regardless of their plan membership.

The employee contribution rate for TRSL and LASERS is 8% of covered salaries, except for LASERS members hired before July 1, 2006, who contribute 7.5% of covered salaries. For fiscal year 2017, the employer contribution rate for TRSL and LASERS is 25.5% and 35.8%, respectively. Employer contributions to LASERS and TRSL were \$6,399,781 and \$69,698, respectively, for the year ended June 30, 2017. Non-employer contributing entity contributions to TRSL, which were comprised of ad valorem tax revenue, totaled \$2,697, and were recognized as revenue in fiscal year 2017 by the Louisiana Legislative Auditor.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Louisiana Legislative Auditor reported a liability for LASERS and TRSL of \$75,301,182 and \$828,866, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Louisiana Legislative Auditor's proportions of the net pension liability for each retirement system were based on projections of the Louisiana Legislative Auditor's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Louisiana Legislative Auditor's proportion for LASERS and TRSL was 0.95894% and 0.00706%, respectively. Compared to its proportion measured as of June 30, 2015, this reflects an increase of 0.02269% for LASERS and a decrease of 0.00201% for TRSL.

For the year ended June 30, 2017, the Louisiana Legislative Auditor recognized total pension expense of \$9,298,700, or \$9,293,775 and \$4,925 for LASERS and TRSL, respectively. At June 30, 2017, the Louisiana Legislative Auditor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	LASERS	TRSL	Total	LASERS	TRSL	Total
Differences between expected and actual experience	\$43,594		\$43,594	\$698,390	\$16,365	\$714,755
Net difference between projected and actual earnings on pension plan investments	9,378,894	\$60,341	9,439,235			
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,118,483	21,152	1,139,635		315,850	315,850
Employer contributions subsequent to the measurement date	6,399,781	69,698	6,469,479			
Total	\$16,940,752	\$151,191	\$17,091,943	\$698,390	\$332,215	\$1,030,605

Deferred outflows of resources related to pensions resulting from the Louisiana Legislative Auditor's contributions subsequent to the measurement date will be recognized as a reduction of LASERS and TRSL net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	LASERS	TRSL	Total
2017	\$2,061,681	(\$77,970)	\$1,983,711
2018	1,898,816	(77,968)	1,820,848
2019	3,644,828	(63,786)	3,581,042
2020	2,237,256	(30,998)	2,206,258
Total	<u>\$9,842,581</u>	<u>(\$250,722)</u>	<u>\$9,591,859</u>

Actuarial Assumptions

The total pension liabilities for LASERS and TRSL in the June 30, 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	LASERS	TRSL
Valuation Date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Expected Remaining Service Lives	3 years	5 years
Investment rate of return	7.75% per annum, net of investment expenses. The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for the gain-sharing and 15 basis points to offset administrative expenses.	7.75%, net of investment expenses. The investment rate of return used in the actuarial valuation for funding purposes was 8.10%, recognizing an additional 25 basis points for the experience account and 10 basis points to offset administrative expenses.
Inflation rate	3.0% per annum	2.5% per annum
Projected salary increases	2009-2013 experience study, ranging from 3.0% to 14.5%	3.50% - 10.0%, varies depending on duration of service
Cost-of-living adjustments	Not substantively automatic	Not substantively automatic
Mortality – Non-disabled	RP-2000 improvement to 2015	RP-2000 scale AA to 2025
Mortality – Disabled	RP-2000	RP-2000 scale AA to 2025
Termination and disability	2009-2013 experience study	2008-2012 experience study

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (LASERS 3.25%; TRSL 2.5%) and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return for LASERS and TRSL are 8.72% and 8.23%, respectively. The target allocation and best estimates of geometric (LASERS) and arithmetic (TRSL) real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following tables:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	LASERS	TRSL	LASERS	TRSL
Cash	0%		-0.24%	
Domestic equity	25%	31%	4.31%	4.50%
International equity	32%	19%	5.48%	5.31%
Domestic fixed income	8%	14%	1.63%	2.45%
International fixed income	6%	7%	2.47%	3.28%
Alternative investments:	22%	29%	7.42%	
Private equity				6.80%
Other private assets				4.82%
Global tactical asset allocation	7%		2.92%	
Total	100%	100%	5.30%	

Discount Rates

The discount rate used to measure the total pension liability for LASERS and TRSL was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions from participating employers will be made at contractually-required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the employer's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
LASERS	\$92,514,471	\$75,301,182	\$60,675,282
TRSL	1,033,850	828,866	654,439
Total	<u>\$93,548,321</u>	<u>\$76,130,048</u>	<u>\$61,329,721</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately-issued LASERS and TRSL Comprehensive Annual Financial Reports at www.lasersonline.org and www.trsl.org, respectively.

Payables to the Pension Plans

At June 30, 2017, payables to LASERS and TRSL were \$870,385 and \$10,502, respectively, for June 2017 employee and employer legally-required contributions.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Louisiana Legislative Auditor provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees of the Louisiana Legislative Auditor become eligible for these benefits if they reach normal retirement age of the applicable retirement system while working for the Louisiana Legislative Auditor and are covered by an active medical plan immediately prior to retirement.

The Louisiana Legislative Auditor offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the state's Office of Group Benefits (OGB), which also offers a life insurance plan, and the other plan is with the Louisiana State University (LSU) System Health Plan. Information about each of these two plans is presented on the following pages.

Plan Descriptions

State OGB Plan

Employees of the Louisiana Legislative Auditor may participate in the State of Louisiana's OPEB Plan, which is administered by OGB. The state OGB Plan provides medical and life insurance benefits to eligible active employees, retirees, and their beneficiaries. The postemployment benefits plan is a multiple-employer defined benefit OPEB plan but is not administered through a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly-available financial report of the state OPEB Plan; however, it is included in the State of Louisiana's Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/Pages/osrap/CAFR/CAFR.aspx.

LSU System Health Plan (Health Plan)

Effective January 1, 2014, the Louisiana Legislative Auditor became one of a limited number of state agencies that may participate in the LSU System Health Plan. The state agency participation is not material, and, as such, the plan is identified as a single-employer defined benefit OPEB plan that is not administered as a trust or equivalent arrangement.

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan, members have a choice of selecting LSU First Option 1 or LSU First Option 2. LSU First Option 1 is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

The LSU System selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposal process followed by negotiations between the LSU System and qualified vendors.

The Health Plan does not issue a publicly-available financial report, but it is included in the LSU System's audited financial report. The financial report may be obtained from the LSU System's website at www.lsu.edu/administration/ofa/oas/far/auditorsreports.php.

Funding Policy

State OGB Plan

The contribution requirements of plan members and the Louisiana Legislative Auditor are established and may be amended by R.S. 42:801-883. The plan is currently financed on a pay-as-you-go basis. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule.

Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers several standard healthcare plans for both active and retired employees. In addition, retired employees who have Medicare Part A and Part B coverage also have access to several OGB Medicare Advantage plans.

Depending upon the plan selected and level of coverage, during the year ended June 30, 2017, total monthly premiums for a retiree members receiving benefits range from \$248 to \$2,092 per month for coverage with Medicare, from \$763 to \$2,308 per month for coverage without Medicare, and from \$197 to \$535 for retirees who select a Medicare Advantage plan. Employer contributions for retirees are based on plan premiums and the employer contribution percentage. This percentage is based on the original date of participation in an OGB plan (before or after January 1, 2002) and employee years of participation in the state OGB Plan before retirement.

Employees who began participation before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation on or after January 1, 2002, the percentage of premiums contributed is based on the following schedule:

<u>Years of Participation</u>	<u>Employer Contribution Percentage</u>	<u>Employee Contribution Percentage</u>
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium, of which the employer pays one-half of the premiums, is approximately \$1.08 and \$0.98 per thousand dollars of coverage for the retiree and spouse, respectively. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

LSU System Health Plan

While actuarially determined, the plan rates must be approved by OGB under R.S. 42:851(B). Plan rates are in effect for one year, and members have the opportunity to switch providers during the open enrollment period, which usually occurs during October.

The plan is financed on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule.

Depending upon the option selected and level of coverage, during the year ended June 30, 2017, total monthly premiums for a retiree members receiving benefits range from \$324 to \$1,975 per month for coverage with Medicare and from \$1,118 to \$2,192 per month for coverage without Medicare. Employer participation in contributions to the LSU System Health Plan for retirees follows the same schedule that is used for retirees in the state OGB Plan, which is described previously. Prior participation in the state OGB Plan counts toward service time when determining the employer contribution rate.

Annual OPEB Cost and Net OPEB Obligation

The Louisiana Legislative Auditor's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL).

The following schedule presents the components of the Louisiana Legislative Auditor's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plans, and changes in the Louisiana Legislative Auditor's net OPEB obligation to the OPEB plans:

	State OGB Plan	LSU System Health Plan	Total
ARC	\$1,067,803	\$787,218	\$1,855,021
Interest on net OPEB obligation	531,344	699	532,043
ARC adjustment	(520,259)	(684)	(520,943)
Annual OPEB cost (expense)	1,078,888	787,233	1,866,121
Contributions made	(613,626)	(65,557)	(679,183)
Increase in net OPEB obligation	465,262	721,676	1,186,938
Net OPEB obligation, beginning of year	13,982,745	18,392	14,001,137
 Net OPEB obligation, end of year	 <u>\$14,448,007</u>	 <u>\$740,068</u>	 <u>\$15,188,075</u>

The Louisiana Legislative Auditor's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>State OGB Plan</u>			
June 30, 2015	\$1,575,136	38.2%	\$12,965,767
June 30, 2016	\$1,641,506	38.0%	\$13,982,745
June 30, 2017	\$1,078,888	56.9%	\$14,448,007
<u>LSU System Health Plan</u>			
June 30, 2015	\$39,213	46.5%	\$20,971
June 30, 2016	\$41,690	106.2%	\$18,392
June 30, 2017	\$787,233	8.3%	\$740,068

Funded Status and Funding Progress

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund for the state OGB Plan effective July 1, 2008; however, neither the Louisiana Legislative Auditor nor the State of Louisiana has made contributions to it. Since no contributions have been made, the Louisiana Legislative Auditor's entire actuarial accrued liability for the state OGB Plan was unfunded. The LSU System Health Plan does not use a trust fund to administer the financing of the plan and the payment of benefits.

The funded status of the plans, as determined by actuaries as of July 1, 2016, was as follows:

	State OGB Plan	LSU System Health Plan	Total
Actuarial accrued liability (AAL)	\$15,832,119	\$5,836,238	\$21,668,357
Actuarial value of plan assets	NONE	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	<u>\$15,832,119</u>	<u>\$5,836,238</u>	<u>\$21,668,357</u>
Funded ratio	0%	0%	0%
Covered payroll (active plan members)	\$9,873,773	\$8,363,041	\$18,236,814
UAAL as a percentage of covered payroll	160.3%	69.8%	118.8%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress (Schedule 2), presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions are presented as follows:

	State OGB Plan	LSU System Health Plan
Actuarial valuation date	July 1, 2016	July 1, 2016
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years, open	30 years, open
Asset valuation method	None	None
Actuarial assumptions:		
Investment return	3.8% annual rate	3.8% annual rate
Projected salary increases	3% per annum	3% per annum
Health care inflation rate	7.0% and 6.0% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rate of 4.5%	7.0% and 6.0% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rate of 4.5%

10. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The Louisiana Legislative Auditor 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 Louisiana Legislative Auditor transfers the risk of loss from theft, torts, damage to and destruction of assets, workers' compensation, errors and omissions, and natural disasters. The amount of settlements paid in the last three years did not exceed insurance coverage.

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, 2017, the Louisiana 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 Louisiana Legislative Auditor (or State of Louisiana) and, accordingly, is not recorded in the accompanying financial statements.

11. LEASE OBLIGATIONS

The Louisiana Legislative Auditor has operating lease agreements for office and storage space in Baton Rouge, Shreveport, and New Orleans. The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2017:

Nature of <u>Operating Lease</u>	<u>2018</u>	<u>2019</u>	<u>Total Minimum Future Rentals</u>
Office space - Shreveport	\$2,160	\$720	\$2,880
Total	<u>\$2,160</u>	<u>\$720</u>	<u>\$2,880</u>

For the year ended June 30, 2017, total rental and lease expenditures were \$476,244.

12. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the Louisiana Legislative Auditor's long-term liabilities for the year ended June 30, 2017:

	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	Amounts Due Within One Year
Compensated absences	\$2,177,557	\$824,857	(\$883,129)	\$2,119,285	\$144,863
Net pension liability	64,654,551	19,727,601	(8,252,104)	76,130,048	
Notes payable	601,667		(142,634)	459,033	147,702
OPEB payable	14,001,137	1,866,121	(679,183)	15,188,075	
Total long-term liabilities	<u>\$81,434,912</u>	<u>\$22,418,579</u>	<u>(\$9,957,050)</u>	<u>\$93,896,441</u>	<u>\$292,565</u>

13. FUND BALANCE/NET POSITION

Fund balance includes amounts classified as assigned for the following purposes:

Appropriated for subsequent fiscal year	<u>\$4,383,639</u>
Total assigned fund balance	<u>\$4,383,639</u>

14. PROFESSIONAL SERVICES

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

Alivia Technology	Software Implementation	\$219,000
Automation Centre	Software Upgrade Planning	12,500
Benton, Benton, & Associates, LLC	Legal Services	3,000
Bosch & Statham, LLC	Audit Services	2,700
Broussard & Company, CPAs, LLC	Audit Services	34,650
Carr, Riggs, Ingram, LLC	Audit Services	99,425
Cascio & Schmidt, LLP	Audit Services	13,244
Duplantier, Hrapmann, Hogan & Maher, LLP	Audit Services	246,411
Gabriel, Roeder, Smith & Company	Actuarial Services	632,003
Greer, David, CPA	Internal Audit Services	9,350
Griffin & Furman, LLC	Audit Services	26,580
Hienz & Macaluso, LLC	Audit Services	30,365
John L. McKowen, CPA	Audit Services	11,887
Latuso & Johnson, CPA, LLC	Audit Services	11,175
Michael K. Glover, CPA	Audit Services	5,450
M. Carleen Dumas, CPA	Audit Services	3,066
National Association of State Auditors	Peer Review	23,708
Paul C. Rivera, CPA	Audit Services	3,800
Phelps Dunbar, LLP	Legal Consultation	1,125
Pinell & Martinez, LLP	Audit Services	105,765
Steven M. DeRouen, CPA	Audit Services	17,680
		\$1,512,884
Total		

15. OTHER COSTS

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

16. DEFERRED COMPENSATION PLAN

Certain employees of the Louisiana Legislative Auditor participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Schedule 1 presents a budgetary comparison for the General Fund.

SCHEDULE OF FUNDING PROGRESS FOR THE OTHER POSTEMPLOYMENT BENEFITS PLANS

Schedule 2 presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plans, including the unfunded actuarial accrued liability.

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Schedule 3 presents certain specific data regarding the employer's proportionate share of the net pension liability.

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Schedule 4 presents certain specific data regarding the employer's contributions to its pension plans.

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Budgetary Comparison Schedule - General Fund
Budget to Actual (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017**

	ACTUAL AMOUNTS		BUDGETARY BASIS	BUDGETED AMOUNTS		VARIANCE
	GAAP BASIS	GAAP TO BUDGET DIFFERENCES		ORIGINAL	FINAL	
REVENUES APPROPRIATED BY LEGISLATURE						
State General Fund	\$9,013,341		\$9,013,341	\$9,013,341	\$9,013,341	
Audit fees and self-generated revenues	22,826,070		22,826,070	22,584,095	22,584,095	\$241,975
Reappropriated fund balance		\$7,982,365 (1)	7,982,365	7,982,365	7,982,365	
Total revenues	<u>31,839,411</u>	<u>7,982,365</u>	<u>39,821,776</u>	<u>39,579,801</u>	<u>39,579,801</u>	<u>241,975</u>
EXPENDITURES						
Personnel services and related benefits	28,158,042	(42,386) (2)	28,115,656	29,178,958	29,128,365	1,012,709
Travel	362,120	(299) (3)	361,821	749,952	385,315	23,494
Operating services	1,648,936	360,380 (3, 5)	2,009,316	1,936,321	2,098,800	89,484
Supplies	115,426		115,426	267,474	134,928	19,502
Professional services	1,512,884		1,512,884	1,387,900	1,901,447	388,563
Capital outlay	301,979		301,979	446,800	318,550	16,571
Debt service	159,305	(159,305) (5)				
Total expenditures	<u>32,258,692</u>	<u>158,390</u>	<u>32,417,082</u>	<u>33,967,405</u>	<u>33,967,405</u>	<u>1,550,323</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(419,281)	7,823,975	7,404,694	5,612,396	5,612,396	1,792,298
OTHER FINANCING USES:						
Transfer to State General Fund	(2,000,000)	NONE	(2,000,000)	NONE	(2,000,000)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES/EXPENSES	(2,419,281)	7,823,975	5,404,694	5,612,396	3,612,396	1,792,298
FUND BALANCE AT BEGINNING OF YEAR						
Less reappropriated fund balance	7,186,405	795,960 (4)	7,982,365	7,982,365	7,982,365	
		(7,982,365)	(7,982,365)	(7,982,365)	(7,982,365)	
FUND BALANCE AT END OF YEAR	<u>\$4,767,124</u>	<u>\$637,570</u>	<u>\$5,404,694</u>	<u>\$5,612,396</u>	<u>\$3,612,396</u>	<u>\$1,792,298</u>

***Explanation of Differences**

- (1) The budget includes reappropriated fund balances carried over from prior years to cover expenditures of the current year. The results of operations on a GAAP basis do not recognize these amounts as revenue since they represent prior period's excess of revenues over expenditures.
- (2) Personnel services and related benefits are budgeted only to the extent expected to be paid, rather than on the modified accrual basis.
- (3) Certain expenditures are budgeted based on when payments are required to be made, but are properly classified as prepaid expenditures on a GAAP basis.
- (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. (See note 1.E. for a description of the Louisiana Legislative Auditor's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement B) because of the cumulative effect of transactions such as those described above.
- (5) Debt service was budgeted as operating services.

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Schedule of Funding Progress for the
Other Postemployment Benefits Plans
For the Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>State OGB Plan</u>						
July 1, 2016 July 1, 2014, projected to July 1, 2015	NONE	\$15,832,119	\$15,832,119	0%	\$9,873,773	160.3%
July 1, 2014	NONE	\$21,855,182	\$21,855,182	0%	\$13,346,649	163.8%
July 1, 2014	NONE	\$20,954,700	\$20,954,700	0%	\$18,210,192	115.1%
<u>LSU System Health Plan</u>						
July 1, 2016 July 1, 2014, projected to July 1, 2015	NONE	\$5,836,238	\$5,836,238	0%	\$8,363,041	69.8%
July 1, 2014	NONE	\$347,628	\$347,628	0%	\$4,788,585	7.3%
July 1, 2014	NONE	\$313,187	\$313,187	0%	\$307,609	101.8%

The accompanying notes are an integral part of this schedule.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
Schedule of Funding Progress for the
Other Postemployment Benefits Plans
For the Year Ended June 30, 2017

State OGB Plan

A projection of the results from prior valuation would have suggested the liability to increase to compared to the actual result.

The main reasons for this decrease are (1) a smaller active population, (2) better claims experience than expected, (3) lower than expected spousal coverage for future retirees, (4) incorporating disabled mortality rates to current disabled retirees, and (5) an update to the participation assumptions based on more recent information.

While the above factors decreased the liability, additional factors that increased it include: (1) a lower discount rate assumption reflecting more appropriate market conditions; (2) improved mortality tables being applied to the population, reflecting members living longer (RP 2014 scaling with MP-16); (3) higher than expected contributions for retirees; and (4) addition of a post-Medicare excise tax.

The remaining variances include census changes, a change in the age-based curves, and inclusion of DROP participant information.

LSU System Health Plan

A projection of the results from prior valuation would have suggested the liability to increase to compared to the actual result.

The main reasons for this decrease are (1) a lowering of the overall participation rate and marriage assumption rate at retirement, (2) implementation of a fully insured MA-PD plan for post Medicare retirees, and (3) lower than expected premium rates for retirees. The transition to the MA-PD plan created most of the gains, as it eliminated the implicit rate subsidy for post Medicare retirees.

While the above factors decreased the liability, additional factors that increased it include: (1) a lower discount rate assumption reflecting more appropriate market conditions; (2) improved mortality tables being applied to the population, reflecting members living longer (RP 2014 scaling with MP-16); (3) an increase in the active and retiree populations; and (4) age graded costs applying to the Medicare supplemental plan due to ASOP 6.

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Schedule of Employer's Proportionate Share
of the Net Pension Liability
For the Year Ended June 30, 2017**

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
<u>LASERS:</u>					
2017	0.95894%	\$75,301,182	\$18,395,693	409.3%	57.7%
2016	0.93625%	\$63,678,997	\$17,844,855	356.8%	62.7%
2015	0.92845%	\$58,055,159	\$17,977,900	322.9%	65.0%
2014	0.88909%	\$64,767,090	\$17,704,314	365.8%	58.6%
<u>TRSL:</u>					
2017	0.00706%	\$828,866	\$307,401	269.6%	59.9%
2016	0.00907%	\$975,554	\$418,140	233.3%	62.5%
2015	0.01099%	\$1,123,744	\$484,613	231.9%	63.7%
2014	0.01050%	\$1,253,575	\$438,622	285.8%	56.5%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The accompanying notes are an integral part of this schedule.

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Schedule of Employer's Pension Contributions
For the Year Ended June 30, 2017**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<u>LASERS:</u>					
2017	\$6,399,781	\$6,399,781	\$0	\$17,838,477	35.9%
2016	\$6,834,516	\$6,834,516	\$0	\$18,395,693	37.2%
2015	\$6,603,557	\$6,603,557	\$0	\$17,844,855	37.0%
2014	\$5,649,750	\$5,649,750	\$0	\$17,977,900	31.4%
2013	\$5,159,618	\$5,159,618	\$0	\$17,704,314	29.1%
2012	\$4,393,629	\$4,393,629	\$0	\$17,118,208	25.7%
2011	\$3,710,737	\$3,710,737	\$0	\$16,824,708	22.1%
2010	\$3,080,612	\$3,080,612	\$0	\$16,410,326	18.8%
2009	\$2,649,367	\$2,649,367	\$0	\$14,317,023	18.5%
2008	\$2,456,280	\$2,456,280	\$0	\$12,092,269	20.3%
<u>TRSL:</u>					
2017	\$69,698	\$69,698	\$0	\$272,878	25.5%
2016	\$79,143	\$79,143	\$0	\$307,401	25.7%
2015	\$108,808	\$108,808	\$0	\$418,140	26.0%
2014	\$123,252	\$123,252	\$0	\$484,613	25.4%
2013	\$99,301	\$99,301	\$0	\$438,622	22.6%
2012	\$80,741	\$80,741	\$0	\$376,255	21.5%
2011	\$69,031	\$69,031	\$0	\$380,826	18.1%
2010	\$40,363	\$40,363	\$0	\$307,250	13.1%
2009	\$33,044	\$33,044	\$0	\$274,000	12.1%
2008	\$27,516	\$27,516	\$0	\$220,076	12.5%

The accompanying notes are an integral part of this schedule.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
Schedule of Employer's Proportionate Share of the
Net Pension Liability and Schedule of Employer's
Pension Contributions
For the Year Ended June 30, 2017

LASERS

Changes of Benefit Terms

- A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.
- Added benefits for members of the Harbor Police Retirement System, which was merged with LASERS effective July 1, 2015, by Act 648 of 2014.

Changes of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2017.

TRSL

Changes of Benefit Terms

- A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session.
- Regular Plan members whose first employment makes them eligible for membership in a Louisiana state retirement on or after July 1, 2105, may retire with a 2.5% benefit factor after attaining age 62 with at least five years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age.

Changes of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2017.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - GENERAL FUND (ALL APPROPRIATED AND NON-APPROPRIATED FUNDS)

Schedule 5 presents the Balance Sheet, by the General Fund subaccounts.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GENERAL FUND (ALL APPROPRIATED AND NON-APPROPRIATED FUNDS)

Schedule 6 presents the Statement of Revenues, Expenditures, and Changes in Fund Balance, by the General Fund subaccounts.

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Combining Balance Sheet - General Fund
(All Appropriated and Non-appropriated Funds)
June 30, 2017**

	GENERAL	ANCILLARY	GENERAL FUND	
	APPROPRIATION		FUND	FOR THE YEARS ENDED
	FUND		JUNE 30, 2017	JUNE 30, 2016
ASSETS				
Cash in bank	\$2,266,732	\$3,735,363	\$6,002,095	\$9,074,969
Cash in State Treasury, means of financing		152,054	152,054	12,264
Accounts receivable	2,360	2,633,365	2,635,725	2,231,073
Prepaid expenses	383,485		383,485	184,873
	<u>383,485</u>	<u></u>	<u>383,485</u>	<u>184,873</u>
TOTAL ASSETS	<u>\$2,652,577</u>	<u>\$6,520,782</u>	<u>\$9,173,359</u>	<u>\$11,503,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$878,904		\$878,904	\$908,489
Accrued salaries and related benefits	1,040,520		1,040,520	998,940
Due to State Treasury				444,036
Total Liabilities	<u>1,919,424</u>	<u>NONE</u>	<u>1,919,424</u>	<u>2,351,465</u>
Deferred inflows of resources:				
Deferred audit fees	NONE	\$2,486,811	2,486,811	1,965,309
	<u>NONE</u>	<u>\$2,486,811</u>	<u>2,486,811</u>	<u>1,965,309</u>
Fund balances:				
Nonspendable - prepaid amounts	383,485		383,485	184,873
Assigned	349,668	4,033,971	4,383,639	7,001,532
Total Fund Balances	<u>733,153</u>	<u>4,033,971</u>	<u>4,767,124</u>	<u>7,186,405</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$2,652,577</u>	<u>\$6,520,782</u>	<u>\$9,173,359</u>	<u>\$11,503,179</u>

**LOUISIANA LEGISLATIVE AUDITOR
STATE OF LOUISIANA**

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund
(All Appropriated and Non-appropriated Funds)
For the Year Ended June 30, 2017**

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	GENERAL FUND FOR THE YEARS ENDED	
			JUNE 30, 2017	JUNE 30, 2016
REVENUES				
State General Fund appropriation	\$9,013,341		\$9,013,341	\$10,014,823
Audit fees and allocations		\$22,802,631	22,802,631	22,111,887
Interest		23,127	23,127	7,234
Miscellaneous		312	312	25
Total revenues	<u>9,013,341</u>	<u>22,826,070</u>	<u>31,839,411</u>	<u>32,133,969</u>
EXPENDITURES				
Personnel services and related benefits	28,158,042		28,158,042	29,258,657
Travel	362,120		362,120	503,774
Operating services	1,648,936		1,648,936	1,585,406
Supplies	115,426		115,426	163,935
Professional services	1,512,884		1,512,884	1,207,061
Capital outlay	301,979		301,979	52,554
Debt service - principal	142,635		142,635	142,057
Debt service - interest	16,670		16,670	17,249
Total expenditures	<u>32,258,692</u>	<u>NONE</u>	<u>32,258,692</u>	<u>32,930,693</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES				
	<u>(23,245,351)</u>	<u>22,826,070</u>	<u>(419,281)</u>	<u>(796,724)</u>
OTHER FINANCING SOURCES AND USES				
Transfer to Ancillary Fund	(489,977)	489,977		
Transfer to State General Fund		(2,000,000)	(2,000,000)	(444,036)
Transfer from Ancillary Fund	23,978,504	(23,978,504)		
Total other financing sources and uses	<u>23,488,527</u>	<u>(25,488,527)</u>	<u>(2,000,000)</u>	<u>(444,036)</u>
NET CHANGE IN FUND BALANCES	243,176	(2,662,457)	(2,419,281)	(1,240,760)
BEGINNING OF YEAR FUND BALANCE				
	<u>489,977</u>	<u>6,696,428</u>	<u>7,186,405</u>	<u>8,427,165</u>
END OF YEAR FUND BALANCE	<u>\$733,153</u>	<u>\$4,033,971</u>	<u>\$4,767,124</u>	<u>\$7,186,405</u>

EXHIBIT A

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***



Duplantier
Hrapmann
Hogan &
Maher, LLP

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 10, 2017

Legislative Auditor
State of Louisiana
Baton Rouge, LA

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of the Louisiana Legislative Auditor, a component unit of the State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which comprise the Louisiana Legislative Auditor's basic financial statements and have issued our report thereon dated November 10, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana Legislative Auditor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Legislative Auditor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Legislative Auditor's internal control.

www.dhhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Legislative Auditor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana