

5743

**OFFICIAL
FILE COPY**
DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**RECEIVED
LEGISLATIVE AUDITOR**

2008 NOV 24 AM 9: 23

RELAY ADMINISTRATION BOARD

STATE OF LOUISIANA

FINANCIAL REPORT

**For the year ended
December 31, 2007**

(With Accountant's Report Thereon)

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

Release Date 12/3/08

RELAY ADMINISTRATION BOARD

Basic Financial Statements and Independent Auditor's Reports As of and for the Year Ended December 31, 2007 With Supplemental Financial Information

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
Management's Discussion and Analysis		4
Basic Financial Statements:		
Statement of Net Assets	A	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B	8
Statement of Cash Flows	C	9
Notes to the Financial Statements		10
Other Supplemental Information:		
Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, as of and for the Year Ended December 31, 2007		
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	
	Appendix	
Management's Corrective Action Plans and Responses to the Findings and Recommendations	A	

MICHAEL K. GLOVER
Certified Public Accountant

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Relay Administration Board
Baton Rouge, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Relay Administration Board management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Notes, the financial statements present only the Relay Administration Board, a component unit of the State of Louisiana and do not purport to, and do not, present fairly the financial position of the State of Louisiana, as of December 31, 2007, and the changes in financial position and cash flows, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Relay Administration Board a component unit of the State of Louisiana, as of December 31, 2007, and the changes in financial position and cash flows for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed further in Exhibit A of this report, the board has not complied with certain applicable state laws and regulations. While at the current time the effect of the noncompliance on the financial statements and other supplemental information is not deemed material, the noncompliance does not conform to public policy and also circumvents state oversight.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Relay Administration Board a component unit of the State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Audit Standards*, I have also issued my report dated October 24, 2008, on my consideration of Relay Administration Board internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Michael K. Slom

Baton Rouge, Louisiana

October 24, 2008

**RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis of the Relay Administration Board's financial performance presents a narrative overview and analysis of the Relay Administration Board's (RAB) financial activities for the year ended December 31, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements, which begin on page 7.

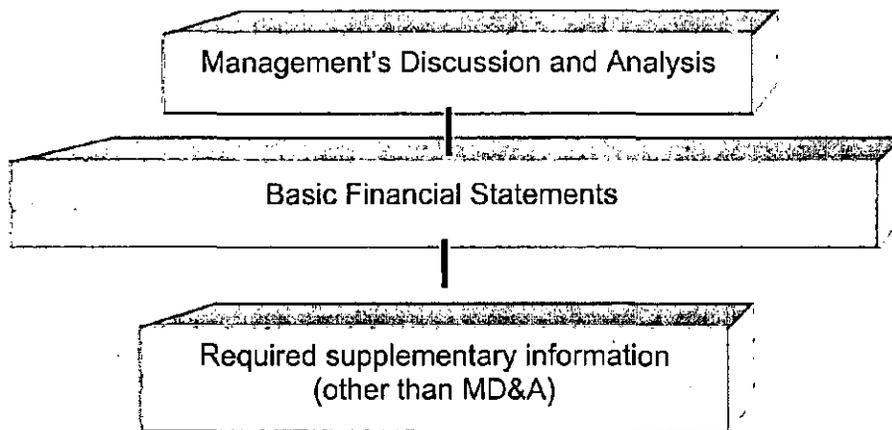
FINANCIAL HIGHLIGHTS

The RAB's assets exceeded its liabilities (net assets) at the close of fiscal year 2007 by \$24,797,458 which represents a 2.72% increase in net assets from last fiscal year. Total assets, consisting almost entirely of investments, increased from \$24,255,541 to \$24,893,557 or 2.63%. At December 31, 2007, the investment portfolio was comprised of U.S. Government and Agency bonds (46%), Corporate bonds (16%), common stock (28%), money market funds (3%) and mutual funds (7%). At December 31, 2006, the investment portfolio was comprised of U.S. Government and Agency bonds (63%), common stock (28%), money market funds (6%) and mutual funds (3%).

RAB's net assets increased by \$655,922 in 2007 compared to the 2006 increase in net assets of \$77,128. RAB's net investment income increased in 2007 which included more increases in the fair values of investment securities than in 2006 while RAB's relay service expense also decreased compared to the prior year. RAB received no operating revenues during 2007 and 2006 due to the elimination of access charges previously charged to consumers and grants funding.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of two sections - Management's Discussion and Analysis (this section), and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Relay Administration Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 7) presents a summary of assets and liabilities with totals of each. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the RAB is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 8) presents information which shows how the RAB's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 9) presents information showing how the RAB's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

**Statement of Net Assets
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Total assets	\$ 24,893,557	\$ 24,255,541
Total liabilities	<u>96,099</u>	<u>114,005</u>
Total net assets - unrestricted	<u>\$ 24,797,458</u>	<u>\$ 24,141,536</u>

All of the assets of the RAB can be used for any lawful purpose consistent with the articles of incorporation which requires that funds be used for providing telecommunication relay services to the citizens of the State of Louisiana. The RAB has no long-term debt obligations. The total assets at December 31, 2007, are composed of \$793,639 in cash equivalents, \$197,089 in accrued investment income, and \$23,902,829 invested in debt and equity securities. Investment securities are available for liquidity as needed, but are intended to also provide a return on assets that can be used to provide relay services to the hearing and speech impaired.

**Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006**

	2007	2006
Operating revenues	\$ -	\$ -
Operating expenses	1,280,611	1,435,396
Operating loss	(1,280,611)	(1,435,396)
Nonoperating revenues	1,936,533	1,512,524
Increase (decrease) in net assets	\$ 655,922	\$ 77,128

RAB recognized no operating revenues during 2007 and 2006. The Louisiana Public Service Commission indefinitely suspended the 11¢ per line access fee charged to consumers effective in April 2002. Nonoperating revenues increased in 2007 by \$424,009 or 28% due primarily to greater increases in fair value of investment securities during 2007 and increases in interest earnings on debt-type securities held during 2007.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay service provider. Total 2007 operating expenses decreased from 2006 due primarily to reduced demand and usage of relay services.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS AND RATES

As portrayed on page 7 of the financial statements, the Relay Administration Board has accumulated net assets since its inception in 1992. Such accumulation has been determined by the board, when combined with anticipated investment earnings and future state funding, to be adequate for the provision of telephone access services for a period of 10 years or more from December 31, 2007. This determination prompted the Louisiana Public Service Commission to eliminate, effective April 2002, the telephone access fee that has been charged to all connections throughout Louisiana and used to fund the RAB operations. Thus, for 2007, the RAB has no telephone access fee revenue.

The RAB received no state funding during 2007 and 2006 and does not expect to again receive state fundings in the near future.

CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Relay Administration Board's finances and to show the RAB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Buddy Stricker, Louisiana Public Service Commission, P.O. Box 91154, Baton Rouge, Louisiana 70821-9154.

RELAY ADMINISTRATION BOARD
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 793,639
Investment securities	23,902,829
Accrued investment income	197,089
	<hr/>
Total Assets	24,893,557

LIABILITIES

Accounts payable and accrued expenses	<hr/> 96,099
---------------------------------------	--------------

<u>NET ASSETS (Unrestricted)</u>	<u>\$ 24,797,458</u>
---	-----------------------------

The accompanying notes are an integral part of this statement

RELAY ADMINISTRATION BOARD
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES

Telephone access fees

NONE

OPERATING EXPENSES

Relay service costs

\$ 1,187,272

Consulting fees

62,710

Legal and professional

30,629

1,280,611

OPERATING LOSS

(1,280,611)

NON-OPERATING REVENUES

Net investment income

1,936,533

1,936,533

CHANGE IN NET ASSETS

655,922

NET ASSETS AT BEGINNING OF THE YEAR

24,141,536

NET ASSETS AT END OF THE YEAR

\$ 24,797,458

The accompanying notes are an integral part of this statement

RELAY ADMINISTRATION BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash payments to suppliers of goods and services	\$ (1,387,006)
Net cash used in operating activities	<u>(1,387,006)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments purchased	(22,059,214)
Investments redeemed	21,663,558
Investment income	956,890
Net cash provided by investing activities	<u>561,234</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (825,772)

CASH AND CASH EQUIVALENTS, beginning of year 1,619,411

CASH AND CASH EQUIVALENTS, end of year \$ 793,639

Reconciliation of operating income to net cash provided by operating activities:

Excess expenses over revenues from operations	\$ (1,280,611)
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Net decrease in accounts payable	(17,906)
Net increase in other assets	<u>(88,489)</u>
Net cash used by operating activities	<u>\$ (1,387,006)</u>

Schedule of noncash investing, capital, and financing activities

Increase in fair market value of investments	<u>\$ 180,294</u>
--	-------------------

The accompanying notes are an integral part of this statement

RELAY ADMINISTRATION BOARD

Notes to the Financial Statements

As of and for the Year Ended December 31, 2007

INTRODUCTION

The Relay Administration Board (referred to as "the board" or "RAB") was created as a non-profit corporation by the Louisiana Public Service Commission, a body created by the Louisiana Constitution, as provided by Order Number U-17656-A pursuant to the telecommunications sections of the Americans with Disabilities Act of 1990 and other applicable regulations adopted by the Federal Communications Commission. The board is comprised of five members who serve indefinite terms at the discretion of the Louisiana Public Service Commission. The board is charged with the responsibility of oversight of telephone relay services for the State of Louisiana, ensuring equal access to telecommunications services for all hearing and speech impaired citizens, and acting as a liaison between the relay service provider and the Louisiana Public Service Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

The board applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. However, the board does not apply FASB pronouncements issued after November 30, 1989.

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 Office of Statewide Reporting and Accounting Policy considers the board to be a discrete component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) a majority of the board is appointed by the State of Louisiana; (2) upon dissolution of the board, title to all property owned by the board shall vest in the State of Louisiana; (3) the Louisiana Public Service Commission, a commission within a department of the State of Louisiana, has the ability to modify and approve changes to the telephone access fee; and (4) the Louisiana Public Service Commission has the ability to veto, overrule, and modify decisions made by the board. The accompanying financial statements present information only as to the transactions of the programs of the Relay Administration Board. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial

statements as a business-type activity. The State of Louisiana's basic financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

For financial reporting purposes, the Relay Administration Board is treated as a special-purpose government engaged only in business-type activities. All activities of the board are accounted for within a single proprietary (enterprise) fund to report on its financial position, results of operation, and cash flows. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of the board are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Accordingly, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Revenues from telephone access fees are reported as operating revenues. Transactions for which cash flows are reported as investing activities are reported as non-operating revenue. All expenses related to operating the board are reported as operating expenses.

E. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The deposits and investments of the Relay Administration Board's monies are governed by an investment policy adopted by the board. Under the policy, monies not needed for immediate expenditure may be invested in (1) U. S. Government and Agency obligations, (2) certificates of deposit issued by financial institutions within the U. S. and its territories up to the maximum FDIC limit, (3) certain collateralized mortgage obligations, and (4) common stock subject to limitations.

For purposes of the statement of cash flows, the Relay Administration Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2007, consist of money market funds.

Cash and cash equivalents are carried at cost, which approximates fair value. Investment securities are carried at fair value, as determined by published trade prices, in accordance with GASB Statement No. 31. Unrealized and realized gains and losses

are reported in the accompanying statement of revenues, expenses, and changes in fund net assets.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

G. INCOME TAXES

The Relay Administration Board has been exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Income determined to be unrelated business income is taxable. In addition, in accordance with Section 6033 and Section 115 of the Internal Revenue Code, related purpose receipts are excludable from gross income for federal income tax purposes, therefore, exempting the board from the requirement of filing annual returns.

The Relay Administration Board is currently considered to be a publicly supported organization and not a private foundation by the Internal Revenue Service (IRS) under Section 509(a) of the Internal Revenue Code (IRC). To maintain that status, the Relay Administration Board must continually meet the requirements of the applicable support test. If the Relay Administration Board does not meet the public support requirements, it could be classified as a private foundation from the date of the Relay Administration Board's inception for the purposes of IRC Sections 507(d) and 4940, which would impose an excise tax on net investment income. Through the year ended December 31, 2002, the Relay Administration Board had satisfied the support test through the collection of a grant from the Louisiana Department of Social Services, Rehabilitation Services. However, for the years ended December 31, 2003 through 2007 the Relay Administration Board did not receive any such grants and no grants are expected to be received in the near future. Therefore, the Relay Administration Board could potentially lose its status as a publicly supported organization.

2. CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2007, investment securities of \$23,902,829 and investments reported as cash and cash equivalents of \$793,639, as presented on Statement A, consist of the following:

	Cost	Fair Value	Percentage of Investments	Moody's Investors Service Credit Quality Rating	Weighted Average Maturity (Years)
Federal Home Loan Bank (FHLB)	\$ 1,848,710	\$ 1,862,706	7.5%	Aaa	1.65
Federal National Mortgage Association (FNMA)	5,204,834	5,303,715	21.5%	Aaa	3.15
Federal Home Loan Mortgage Corporation (FHLMC)	1,596,078	1,629,548	6.6%	Aaa	2.30
United States Treasury Notes	2,339,196	2,461,489	10.0%	*	6.68
SBC Communications, Inc.	494,665	496,820	2.0%	A2	1.60
CIT Group, Inc.	482,995	481,985	2.0%	A3	1.71
Morgan Stanley	744,758	729,113	3.0%	AA3	6.26
Toyota Motor Company	750,000	740,618	3.0%	Aaa	3.30
Verizon Communications, Inc.	764,781	773,581	3.1%	A3	7.17
General Electric	750,000	751,883	3.0%	Aaa	1.54
Total debt securities - portfolio weighted average maturity	14,976,016	15,231,455	61.7%		7.31
Common stock	5,893,755	6,961,288	28.2%	*	
Mutual funds invested in common stocks	1,687,264	1,710,086	6.9%	*	
Total amount reported as investments	22,557,035	23,902,829	96.8%		
Money market fund - cash equivalent	793,639	793,639	3.2%	Aaa	
Total investments	\$ 23,350,674	\$ 24,696,468	100.0%		

* Credit quality ratings are not required for U.S. government securities, mutual funds or common stocks.

At December 31, 2007, the board has cash equivalents (book balances) totaling \$793,639 which are held in the bank's trust department. This balance represents an investment in a money market fund that, because of its relative liquidity, is reported as a cash equivalent on the Statement of Net Assets.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments that are in the possession of an outside party. The board does not have an investment policy for custodial credit risk. At December 31, 2007, the board's investments in common stock, mutual funds, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's agent, but not in the board's name. The board's investment in the money market fund is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk: The board has adopted an investment policy which limits the percentage of total investments that can be invested in various categories and types of investments. Investments in equity securities are permitted to represent between 10% and 40% of the investment portfolio while fixed income securities are permitted to represent between 55% and 85% of the investment portfolio. The board has also adopted a policy that limits its investments in equity securities to a maximum of 5% of its total investments in any one company as well as limitations on concentrations in categories of equity investment types. At December 31, 2007, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 5% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

Credit Risk: The board has adopted a policy that limits its investments of any single fixed income security to a minimum quality rating of "A" by Standard and Poor's and "A3" by Moody's Investors Service. The average quality rating of the fixed income securities is to be AA or higher. If the rating of any fixed income security should fall below either of these credit quality rating levels, the security should be sold within 90 days of the date of the rating changes provided that the security is liquid and can be sold easily without significantly impacting the security's price or adversely impacting the performance of the overall investment portfolio.

Interest Rate Risk: The board's policy is to measure and monitor the weighted average maturity and duration of the fixed income securities portfolio in order to manage exposure to interest rate risk. This includes the weighted average maturity and duration of the total fixed income portfolio, individual securities, as well as categories of securities held by board.

Components of net investment income, as presented on Statement B, are as follows for the year ended December 31, 2007:

Interest earnings	\$ 807,178
Dividends on common stock	162,837
Net increase in the fair value of investments	<u>966,519</u>
Net investment income	<u>\$ 1,936,533</u>

3. FUNDING SOURCES

The Louisiana Public Service Commission issued Order No. U-17656-B directing local exchange carriers to collect an access fee of eleven cent (\$0.11) per access line and remit those funds to the board to fund telephone relay services of the State of Louisiana. Effective April 2002, the Louisiana Public Service Commission eliminated the collection of the access line fee. As a result, the board's operations are now being funded from existing assets and investment earnings there from.

4. BOARD MEMBER COMPENSATION

Although compensation to board members is authorized by the Relay Administration Board's by-laws, no compensation was paid to board members during 2007.

5. LITIGATION

The board has been named a defendant in a suit asserting that certain telecommunication relay service charges collected since the inception of the board constituted an unconstitutional and illegal tax imposed by the board and/or the Louisiana Public Service Commission. The plaintiffs are seeking to have suit certified as a class action. The board intends to vigorously defend these claims and the class certification. The suit is in the early stages of discovery and the ultimate outcome is not currently predictable. Although the board believes that the suit has no merit, there can be no assurances that the litigation will be resolved in the defendants' favor and an adverse resolution could adversely affect the board's financial condition and provision of telecommunications relay services to the hearing-impaired and speech-impaired residents of Louisiana.

**RELAY ADMINISTRATION BOARD
SUPPLEMENTAL FINANCIAL INFORMATION**

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY
As of and for the Year Ended December 31, 2007**

The following supplemental information presents the financial position of the Relay Administration Board as of December 31, 2007, and the results of its operations (including cash flows) for the year then ended. The information is presented in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Annual Financial Statements
December 31, 2007

C O N T E N T S

TRANSMITTAL LETTER
AFFIDAVIT

Statements

Balance Sheet	A
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B
Statement of Activities (includes Instructions)	C
Statement of Cash Flows	D

Notes to the Financial Statements

A.	Summary of Significant Accounting Policies
B.	Budgetary Accounting
C.	Deposits with Financial Institutions and Investments (Additional info in Appendix B)
D.	Capital Assets – Including Capital Lease Assets
E.	Inventories
F.	Restricted Assets
G.	Leave
H.	Retirement System
I.	Post Retirement Health Care and Life Insurance Benefits
J.	Leases
K.	Long-Term Liabilities
L.	Contingent Liabilities
M.	Related Party Transactions
N.	Accounting Changes
O.	In-Kind Contributions
P.	Defeased Issues
Q.	Cooperative Endeavors – moved to Schedule 16
R.	Government-Mandated Nonexchange Transactions (Grants)
S.	Violations of Finance-Related Legal or Contractual Provisions
T.	Short-Term Debt
U.	Disaggregation of Receivable Balances
V.	Disaggregation of Payable Balances
W.	Subsequent Events
X.	Segment Information
Y.	Due to/Due from and Transfers
Z.	Liabilities Payable from Restricted Assets
AA.	Prior-Year Restatement of Net Assets
BB.	Net Assets Restricted by Enabling Legislation (additional information in Appendix C).
CC.	Impairment of Capital Assets (additional information in Appendix D)
DD.	Employee Termination Benefits

Schedules

1	Schedule of Per Diem Paid to Board Members
2	Not included in this packet
3	Schedules of Long-Term Debt
4	Schedules of Long-Term Debt Amortization
5	Schedule of Current Year Revenue and Expenses – Budgetary Comparison of Current Appropriation – Non GAAP Basis (Only applicable for entities whose budget is appropriated by the legislature)
15	Schedule of Comparison Figures

16 Schedule of Cooperative Endeavors

Appendix

- A Instructions for the Simplified Statement of Activities
- B Information for Note C - Deposits with Financial Institutions and Investments
- C Information for Note BB – Net assets Restricted by Enabling Legislation
- D Information for Note CC – Impairment of Capital Assets
- E Instructions for Schedule 16 - Cooperative Endeavors

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
BALANCE SHEET
AS OF DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	<u>793,639</u>
Investments		
Receivables (net of allowance for doubtful accounts)(Note U)		<u>197,089</u>
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Other current assets		
Total current assets		<u>990,728</u>

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		<u>23,902,829</u>
Receivables		
Notes receivable		
Investments		
Capital assets (net of depreciation)(Note D)		
Land		
Buildings and improvements		
Machinery and equipment		
Infrastructure		
Construction in progress		
Other noncurrent assets		
Total noncurrent assets		<u>23,902,829</u>
Total assets	\$	<u>24,893,557</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	<u>96,099</u>
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Claims and litigation payable (Note K)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		<u>96,099</u>

NON-CURRENT LIABILITIES:

Contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations (Note J)		
Claims and litigation payable (Note K)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		<u>-</u>
Total liabilities		<u>96,099</u>

NET ASSETS

Invested in capital assets, net of related debt		
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		
Unrestricted		<u>24,797,458</u>
Total net assets		<u>24,797,458</u>
Total liabilities and net assets	\$	<u>24,893,557</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2007**

OPERATING REVENUES

Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	_____
Other	_____
Total operating revenues	_____

OPERATING EXPENSES

Cost of sales and services	1,187,272
Administrative	93,339
Depreciation	_____
Amortization	_____
Total operating expenses	1,280,611

Operating income(loss)	(1,280,611)
------------------------	-------------

NON-OPERATING REVENUES(EXPENSES)

State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	1,936,533
Gain on disposal of fixed assets	_____
Loss on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other revenue	_____
Other expense	_____
Total non-operating revenues(expenses)	1,936,533

Income(loss) before contributions, extraordinary items & transfers	655,922
--	---------

Capital contributions	_____
Extraordinary item - Loss on impairment of capital assets	_____
Transfers in	_____
Transfers out	_____

Change in net assets	655,922
----------------------	---------

Total net assets – beginning	24,141,536
------------------------------	------------

Total net assets – ending	\$ 24,797,458
---------------------------	---------------

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2007

See Appendix A for instructions

		Program Revenues			Net (Expense)
		Operating	Capital	Revenue and	
		Charges for	Grants and	Changes in	
		Expenses	Contributions	Net Assets	
		Services	Contributions		
A		\$ 1,280,611	\$	\$	\$ (1,280,611)
General revenues:					
	Taxes				
	State appropriations				
	Grants and contributions not restricted to specific programs				
	Interest				1,936,533
	Miscellaneous				
Special items					
Extraordinary Item - Loss on Impairment of Capital Assets					
Transfers					
Total general revenues, special items, extraordinary losses, and transfers					1,936,533
Change in net assets					655,922
Net assets - beginning					24,141,536
Net assets - ending					\$ 24,797,458

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash flows from operating activities

Cash received from customers	\$	
Cash payments to suppliers for goods and services		<u>(1,387,006)</u>
Cash payments to employees for services		
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities	\$	<u>(1,387,006)</u>

Cash flows from non-capital financing activities

State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		
Transfers In		
Transfers Out		
Other		
Net cash provided(used) by non-capital financing activities		<u>-</u>

Cash flows from capital and related financing activities

Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets		
Proceeds from sale of capital assets		
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		<u>-</u>

Cash flows from investing activities

Purchases of investment securities		<u>(22,059,214)</u>
Proceeds from sale of investment securities		<u>21,663,558</u>
Interest and dividends earned on investment securities		<u>956,890</u>
Net cash provided(used) by investing activities		<u>561,234</u>

Net increase(decrease) in cash and cash equivalents (825,772)

Cash and cash equivalents at beginning of year 1,619,411
Cash and cash equivalents at end of year \$ 793,639

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)	\$	<u>(1,280,611)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization		_____
Provision for uncollectible accounts		_____
Other		_____
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net		_____
(Increase)decrease in due from other funds		_____
(Increase)decrease in prepayments		_____
(Increase)decrease in inventories		_____
(Increase)decrease in other assets		(88,489)
Increase(decrease) in accounts payables and accruals		(17,906)
Increase(decrease) in compensated absences payable		_____
Increase(decrease) in due to other funds		_____
Increase(decrease) in deferred revenues		_____
Increase(decrease) in other liabilities		_____
 Net cash provided(used) by operating activities	 \$	 <u><u>(1,387,006)</u></u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	\$	_____
Contributions of fixed assets		_____
Purchases of equipment on account		_____
Asset trade-ins		_____
Other (specify)		_____
Net increase of fair market value of investments		180,294
<hr/>		
Total noncash investing, capital, and financing activities:	\$	<u><u>180,294</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
Notes to the Financial Statement
As of and for the year ended December 31, 2007**

INTRODUCTION

The Relay Administration Board (the board or RAB) (BTA) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:1171. The following is a brief description of the operations of RAB (BTA) which includes the parish/parishes in which the (BTA) is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of RAB (BTA) present information only as to the transactions of the programs of the RAB (BTA) as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the RAB (BTA) are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING NA

The appropriations made for the operations of the various programs of the RAB (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 Notes to the Financial Statement
 As of and for the year ended December 31, 2007**

APPROPRIATIONS

Original approved budget	\$ _____
Amendments:	_____
Amendment 1	_____
Amendment 2	_____
Final approved budget	\$ _____ -

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.) See Appendix B for information related to Note.

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2007 the board has no bank deposits but does have cash and cash equivalents (book balances) totaling \$793,639 which are held in the bank's trust department. This balance represents investments in a money market fund, because of its relative liquidity, is reported as a cash equivalent on the Balance Sheet.

2. INVESTMENTS

The RAB does maintain investment accounts as authorized by by-laws and its internal investment policy.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity, and are held either by the counterparty, or the counterparty's trust department or agent but not in the entity's name

Beginning in FY 2004, the implementation of GASB Statement 40 (which amended GASB Statement 3) eliminated the requirement to disclose all investments by three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are exposed to custodial credit risk. The total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
Notes to the Financial Statement
As of and for the year ended December 31, 2007**

	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Moody's Investors Service Credit Quality Rating</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Bank (FHLB)	\$ 1,848,710	\$ 1,862,706	7.5%	Aaa	1.65
Federal National Mortgage Association (FNMA)	5,204,834	5,303,715	21.5%	Aaa	3.15
Federal Home Loan Mortgage Corporation (FHLMC)	1,596,078	1,629,548	6.6%	Aaa	2.30
United States Treasury Notes	2,339,196	2,461,489	10.0%	*	6.68
SBC Communications, Inc.	494,665	496,820	2.0%	A2	1.60
CIT Group, Inc.	482,995	481,985	2.0%	A3	1.71
Morgan Stanley	744,758	729,113	3.0%	AA3	6.26
Toyota Motor Company	750,000	740,618	3.0%	Aaa	3.30
Verizon Communications, Inc.	764,781	773,581	3.1%	A3	7.17
General Electric	750,000	751,883	3.0%	Aaa	1.54
Total debt securities - portfolio weighted average maturity	14,976,016	15,231,455	61.7%		7.31
Common stock	5,893,755	6,961,288	28.2%	*	
Mutual funds invested in common stocks	1,687,264	1,710,086	6.9%	*	
Total amount reported as investments	22,557,035	23,902,829	96.8%		
Money market fund - cash equivalent	793,639	793,639	3.2%	Aaa	
Total investments	<u>\$ 23,350,674</u>	<u>\$ 24,696,468</u>	<u>100.0%</u>		

B. Interest Rate Risk of Debt Investments

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. See 4_A above
2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment. NONE

C. Concentration of Credit Risk

List, by amount and issuer, investments in any one issuer that represents 5% or more of total external investments See 4-A above

D. Foreign Currency Risk NA

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable.

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 Notes to the Financial Statement
 As of and for the year ended December 31, 2007**

5. POLICIES

Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

Concentration of Credit Risk: The board has adopted an investment policy which limits the percentage of total investments that can be invested in various categories and types of investments. Investments in equity securities are permitted to represent between 10% and 40% of the investment portfolio while fixed income securities are permitted to represent between 55% and 85% of the investment portfolio. The board has also adopted a policy that limits its investments in equity securities to a maximum of 5% of its total investments in any one company as well as limitations on concentrations in categories of equity investment types. At December 31, 2007, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 5% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

Credit Risk: The board has adopted a policy that limits its investments of any single fixed income security to a minimum quality rating of "A" by Standard and Poor's and "A3" by Moody's Investors Service. The average quality rating of the fixed income securities is to be AA or higher. If the rating of any fixed income security should fall below either of these credit quality rating levels, the security should be sold within 90 days of the date of the rating changes provided that the security is liquid and can be sold easily without significantly impacting the security's price or adversely impacting the performance of the overall investment portfolio.

Interest Rate Risk: The board's policy is to measure and monitor the weighted average maturity and duration of the fixed income securities portfolio in order to manage exposure to interest rate risk. This includes the weighted average maturity and duration of the total fixed income portfolio, individual securities, as well as categories of securities held by board.

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENT None

- a. Investments in pools managed by other governments or mutual funds _____
- b. Securities underlying reverse repurchase agreements _____
- c. Unrealized investment losses _____
- d. Commitments as of _____ (fiscal close), to resell securities under yield maintenance repurchase agreements:
 - 1. Carrying amount and market value at June 30 of securities to be resold _____
 - 2. Description of the terms of the agreement _____
- e. Losses during the year due to default by counterparties to deposit or investment transactions _____
- f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet _____

Legal or Contractual Provisions for Reverse Repurchase Agreements

- g. Source of legal or contractual authorization for use of reverse repurchase agreements _____

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
Notes to the Financial Statement
As of and for the year ended December 31, 2007**

- h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year _____

Reverse Repurchase Agreements at Year-End None

- i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at balance sheet date, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest _____

- j. Commitments on _____ (fiscal close) to repurchase securities under yield maintenance agreements _____
- k. Market value on _____ (fiscal close) of the securities to be repurchased _____
- l. Description of the terms of the agreements to repurchase _____

- m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements _____

- n. Amounts recovered from prior-period losses which are not separately shown on the operating statement _____

Fair Value Disclosures None

- o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices _____

- p. Basis for determining which investments, if any, are reported at amortized cost _____

- q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool _____

- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares _____

- s. Any involuntary participation in an external investment pool _____

- t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining fair value and the reasons for having had to make such an estimate _____

- u. Any income from investments associated with one fund that is assigned to another fund _____

STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
Notes to the Financial Statement
As of and for the year ended December 31, 2007

D. CAPITAL ASSETS-INCLUDING CAPITAL LEASE ASSETS NA

The fixed assets used in the Special Purpose Government engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	<u>6/30/2006</u>	<u>Adjustment</u>	<u>6/30/2006</u>	<u>Additions</u>	<u>Transfers*</u>	<u>Retirements</u>	<u>6/30/2007</u>
Capital assets not being depreciated							
Land	\$	\$	\$	--	\$	\$	\$
Non-depreciable land improvements				--			--
Capitalized collections				--			--
Construction in progress				--			--
Total capital assets not being depreciated	\$	--	\$	--	\$	--	\$
Other capital assets							
Furniture, fixtures, and equipment	\$	\$	\$	--	\$	\$	\$
Less accumulated depreciation				--			--
Total furniture, fixtures, and equipment		--		--			--
Buildings and improvements				--			--
Less accumulated depreciation				--			--
Total buildings and improvements		--		--			--
Depreciable land improvements				--			--
Less accumulated depreciation				--			--
Total depreciable land improvements		--		--			--
Infrastructure				--			--
Less accumulated depreciation				--			--
Total infrastructure		--		--			--
Total other capital assets	\$	--	\$	--	\$	--	\$
Capital Asset Summary:							
Capital assets not being depreciated	\$	--	\$	--	\$	--	\$
Other capital assets, at cost		--		--		--	
Total cost of capital assets		--		--		--	
Less accumulated depreciation		--		--		--	
Capital assets, net	\$	--	\$	--	\$	--	\$

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

E. INVENTORIES NA

F. RESTRICTED ASSETS NA

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 Notes to the Financial Statement
 As of and for the year ended December 31, 2007**

G. LEAVE NA

- 1. COMPENSATED ABSENCES NA
- 2. COMPENSATORY LEAVE NA

H. RETIREMENT SYSTEM NA

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS NA

J. LEASES NA

NOTE: Where we are requesting five-year amounts, please list the total amount (sum) for the five-year period, not the annual amount for each of the five years.)

K. LONG-TERM LIABILITIES

L. CONTINGENT LIABILITIES

The RAB is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable outcome (remote, reasonably possible or probable)	*Damages Claimed	Insurance Coverage
10/01/03	The board has been named a defendant in a suit asserting that certain telecommunication relay service charges collected since the inception of the board constituted an unconstitutional and illegal tax imposed by the board and/or Louisiana Public Service Commission	\$ See below	\$ 0
Totals		\$ _____	\$ _____

Damages claimed – are all fees collected since inception of the board. Estimated amount of claim is expected to exceed funds of the board.

Claims and litigation costs of \$ -0- (include incremental costs discussed above) were incurred in the current year and are reflected in the accompanying financial statement.

The RAB legal advisor is unable to estimate the effect on the financial statements.

M. RELATED PARTY TRANSACTIONS NONE

N. ACCOUNTING CHANGES NONE

O. IN-KIND CONTRIBUTIONS NONE

P. DEFEASED ISSUES NONE

Q. COOPERATIVE ENDEAVORS – SEE SCHEDULE 16 AND APPENDIX E FOR INSTRUCTIONS AND REPORTING REQUIREMENTS NONE

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 Notes to the Financial Statement
 As of and for the year ended December 31, 2007**

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) NONE

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS NA

CFDA Number	Program Name	State Match Percentage	Total Amount of Grant
_____	_____	_____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total government-mandated nonexchange transactions (grants)			\$ _____

T. SHORT-TERM DEBT NONE

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at December 31, 2007, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
Accrued Interest	\$ _____	\$ _____	\$ _____	\$ 197,089	\$ 197,089
					-
Gross receivables	\$ -	\$ -	\$ -	\$ 197,089	\$ 197,089
Less allowance for uncollectible accounts	-	-	-	-	-
Receivables, net	\$ -	\$ -	\$ -	\$ 197,089	\$ 197,089
Amounts not scheduled for collection during the subsequent year	\$ _____	\$ _____	\$ _____	\$ _____	\$ -

V. DISAGGREGATION OF PAYABLE BALANCES NA

Payables at December 31, 2007, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
Telephone relay services	\$ 92,284	\$ _____	\$ _____	\$ _____	\$ 92,284
Legal & professional	3,535	_____	_____	_____	3,535
Interpretation fees	280	_____	_____	_____	280
Total payables	\$ 96,099	\$ -	\$ -	\$ -	\$ 96,099

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD
 Notes to the Financial Statement
 As of and for the year ended December 31, 2007**

W. SUBSEQUENT EVENTS NONE

X. SEGMENT INFORMATION NA

Y. DUE TO/DUE FROM AND TRANSFERS NA

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS NA

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS NA

The following adjustments were made to restate beginning net assets for June 30, 20__.

Ending Net Assets 6/30/06 as reported to OSRAP on PY AFR	Adjustments to ending net assets 6/30/06 (after AFR was submitted to OSRAP) + or (-)	Restatements (Adjustments to beg. balance 7/1/06) + or (-)	Beg net assets @ 7/1/06 as restated
\$ _____	\$ _____	\$ _____	\$ -
_____	_____	_____	-
_____	_____	_____	-
_____	_____	_____	-
_____	_____	_____	-

Each adjustment must be explained in detail on a separate sheet.

*Include all audited adjustments accepted by the agency or entity.

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46) NA

CC. IMPAIRMENT OF CAPITAL ASSETS NA

DD. EMPLOYEE TERMINATION BENEFITS NA

STATE OF LOUISIANA NA
RELAY ADMINISTRATION BOARD
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 20__

NOT APPLICABLE

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	Balance
2008	\$ _____	\$ _____	\$ _____	\$ _____ --
2009	_____	_____	_____	_____ --
2010	_____	_____	_____	_____ --
2011	_____	_____	_____	_____ --
2012	_____	_____	_____	_____ --
2013-2017	_____	_____	_____	_____ --
2018-2022	_____	_____	_____	_____ --
2023-2027	_____	_____	_____	_____ --
2028-2032	_____	_____	_____	_____ --
 Total	 \$ _____ --	 \$ _____ --	 \$ _____ --	 \$ _____ --

STATE OF LOUISIANA NA
RELAY ADMINISTRATION BOARD
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For The Year Ended June 30, 20__
NOT APPLICABLE

<i>Fiscal Year</i>		<u>Principal</u>	<u>Interest</u>
<u>Ending:</u>			
2008	\$	_____	\$ _____
2009		_____	_____
2010		_____	_____
2011		_____	_____
2012		_____	_____
2013-2017		_____	_____
2018-2022		_____	_____
2023-2027		_____	_____
2028-2032		_____	_____
Total	\$	_____ --	\$ _____ --

STATE OF LOUISIANA NA
RELAY ADMINISTRATION BOARD
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 20__
NOT APPLICABLE

Fiscal Year		
<u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
Total	\$ _____ --	\$ _____ --

STATE OF LOUISIANA

(BTA)
 SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
 BUDGETARY COMPARISON OF CURRENT APPROPRIATION
 NON-GAAP BASIS
 June 30, 2007

	Financial Statement	Adjustments	ISIS Appropriation Report-08/14/07	Revised Budget	Variance Positive/(Negative)
Revenues:					
Intergovernmental Revenues	\$	\$	\$	\$	-
Federal Funds					-
Sales of Commodities and Services					-
Other					-
Total appropriated revenues					-
Expenses:					
Cost of goods sold	\$	\$	\$	\$	-
Personal services					-
Travel					-
Operating Services					-
Supplies					-
Professional services					-
Other charges					-
Capital outlay					-
Interagency transfers					-
Debt Service					-
Other:					-
Bad debts					-
Depreciation					-
Compensated absences					-
Interest Expense					-
Other (identify)					-
Total appropriated expenses					-
Excess (deficiency) of revenues over expenses (budget basis)	\$	\$	\$	\$	-

Note : Schedule 5 is only applicable for those entities whose budget is appropriated by the legislature

STATE OF LOUISIANA

(BTA)

**SCHEDULE OF CURRENT YEAR REVENUE AND EXPENSES
BUDGETARY COMPARISON OF CURRENT APPROPRIATION
NON-GAAP BASIS**

June 30, 2007

NA

Excess (deficiency) of revenues over expenses (budget basis)	\$ _____
Reconciling items:	
Cash carryover	_____
Use of money and property (interest income)	_____
Depreciation	_____
Compensated absences adjustment	_____
Capital outlay	_____
Disposal of fixed assets	_____
Change in inventory	_____
Interest expense	_____
Bad debts expense	_____
Prepaid expenses	_____
Principal payment	_____
Loan Principal Repayments included in Revenue	_____
Loan Disbursements included in Expenses	_____
Accounts receivable adjustment	_____
Accounts payable/estimated liabilities adjustment	_____
Other	_____
Change in Net Assets	\$ _____ -

Note : Schedule 5 is only applicable for entities whose budget is appropriated by the legislature

STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change.

	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 1,936,533	\$ 1,512,524	\$ 424,009	\$ 28.03%
Expenses	1,280,611	1,435,396	(154,785)	10.78%
2) Capital assets				
Long-term debt			-	
Net Assets	24,797,458	24,141,536	655,922	2.72%
Explanation for change:	None required			

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

MICHAEL K. GLOVER
Certified Public Accountant

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

**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**

I have audited the financial statement of the business-type activities of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2007, and have issued my report thereon dated October 24, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Relay Administration Board internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Relay Administration Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Relay Administration Board's internal control over financial reporting.

A control deficiency exist 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Relay Administration Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Relay Administration Board's financial statements that is more than inconsequential will not be prevented or detected by the Relay Administration Board's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Relay Administration Board's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Relay Administration Board, a component unit of the State of Louisiana, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective on my audit and, accordingly, I do not express such an opinion. The results of my test disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Non Compliance with State Laws and Regulations

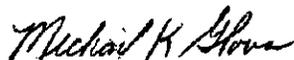
For the fifth consecutive audit, the Relay Administration Board (RAB) did not comply with all applicable state laws and regulations governing the deposit, investment, or disbursement of public funds. The RAB's funding sources are public funds from Louisiana residents and there is no legal authority for converting these funds to private funds. Furthermore, since the Louisiana Public Service Commission (LPSC) created the RAB, the RAB is an extension of LPSC and is subject to laws and regulations affecting state agencies.

The audit of RAB's activities disclosed noncompliance with the following laws and regulations:

- a. At year end, RAB have investments consisting of \$793,639 in a money market fund; \$11,257,458 in government and agency securities; \$6,961,288 in common stocks, \$3,973,997 in corporate bonds and \$1,710,066 in mutual funds, which do not comply with state law. Louisiana Revised Statute (R.S.) 49:327(C)(1)(a) authorizes state entities to invest monies under their control and not on deposit in the state treasury in time certificates of deposit of state banks organized under the laws of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 6:703(16) and (17)(a), or in share accounts and share certificate accounts of federally or state chartered credit unions.
 - b. The RAB did not deposit its funds into the state treasury, as required by the Louisiana Constitution and Revised Statutes. Article VII, Section 9(A) of the Louisiana Constitution and R.S. 49:308 require that all monies received by any state board, agency, or commission be deposited immediately upon receipt in the state treasury.
 - c. The RAB did not expend funds in accordance with an annual appropriation by the legislature. Article VII, Section 10(D) of the Louisiana Constitution requires that money shall be drawn from the state treasury only pursuant to an appropriation made in accordance with law.
2. The RAB did not timely submit their annual financial report within the six months after the December 31, 2007, year as required by Louisiana Revised Statute 24:513 for the second year. The annual financial report was not submitted until after June 30, 2008, because the response to the findings and the letter of representation were not received until after the due date. The RAB should comply with all financial reporting requirements applicable to the organization.

The board should identify all applicable state laws and regulations relating to the RAB and use of its funds and develop policies and procedures to ensure compliance with those laws and regulations. The board should remit all funds collected to the state treasury to be deposited and invested. In addition, no funds should be expended except in the amounts appropriated each year by the legislature. On May 19, 2003, the Office of Legislative Auditor requested an opinion from the Louisiana Attorney General that, once issued, will either support or dispute the position reached by the auditor. However, the Louisiana Attorney General has taken the position that he will not issue an opinion until pending litigation regarding some of these same issues is concluded. Management does not concur with the finding.

This report is intended solely for the information of management and interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, LA
October 24, 2008

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

LISKOW

A Professional Law Corporation

822 Harding Street
Post Office Box 52008
Lafayette, LA 70505
(337) 232-7424 Main
(337) 267-2399 Fax

www.Liskow.com

Joseph P. Hebert
jphebert@liskow.com

53356.006

July 1, 2008

VIA FACSIMILE – (225) 295-1863
AND U.S. FIRST CLASS MAIL

Michael Glover
9497 Brookline
Baton Rouge, LA 70809

Re: Preliminary Relay Administration Board 2008
Audit Report of Michael Glover

Dear Mr. Glover:

This letter is in response to your request for comments from the Relay Administration Board (the “RAB”) regarding your June 26, 2008 draft Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

A. RAB COMMENTS ON REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The report states that no material weaknesses were found in the RAB’s internal control over financial reporting. Therefore, the RAB has no comments on this issue.

B. RAB COMMENTS ON REPORT ON COMPLIANCE AND OTHER MATTERS

Please note that, overall, the RAB does not concur in the proposed findings. During the course of the audit by the Office of the Legislative Auditor (the “OLA”) in 2003, significant issues arose as to what laws and regulations are applicable to the operations of the RAB. As of the date of this letter, these issues remain unresolved between the RAB, the Louisiana Public Service Commission (the “LPSC”) and the OLA. Also, in that same year the OLA sought an opinion from the Attorney General (the “AG”) regarding some of these issues. Given that the 2003 OLA audit report led directly to the filing of a purported class action petition against the RAB, the AG has refused to issue an opinion on these issues. Moreover, as discussed more fully herein, some of the OLA’s proposed findings were directly refuted by AG Opinion No. 03-0081. As a result, the RAB cannot concur with the proposed findings without resolution by an authoritative tribunal or body of the applicability of certain statutes to the operations of the RAB. Furthermore, for the same reason, no corrective action can be taken by the RAB at this time.

Problematically, as a direct result of the OLA's audit findings in 2003, the RAB is now faced with very inconsistent claims to the funds it holds. On the one hand, the OLA contends that those funds must be paid into the state treasury. On the other hand, the plaintiff in the purported class action lawsuit apparently wants the LPSC and the RAB to immediately turn over those funds (and more) based on an unsupported allegation that the funds were obtained through an "unconstitutional tax." In the meantime, the RAB is seeking to preserve those funds for the large group of Louisiana citizens (the hearing-impaired and speech-impaired community) who must depend on telecommunications relay services ("TRS") for routine, everyday communications.

For more than twelve years, the RAB has been in operation, has been audited on an annual basis and has furnished such annual audits to the Division of Administration (which presumably shared them with the OLA). However, no governmental agency asserted that the RAB may be a "state agency" or "public entity" until 2002. By letter to the LPSC dated May 10, 2002, the Division of Administration ("DOA") informed the LPSC that it had "reevaluated the Relay Administration Board as an entity of the state and has concluded that this entity is a component unit of the state for financial reporting purposes." The OLA, in a letter to the RAB dated January 8, 2003, informed the RAB that "now that the Relay Administration Board is considered to be a component unit of the State of Louisiana, our office is required by La. R.S. 24:513 to either conduct an audit or to contract with another licensed certified public accountant to perform those services." Thus, it appears that the OLA itself did not reckon that the RAB was a "state agency" or "public entity" until sometime in 2002 or early 2003. The RAB believes that it has been operated in accordance with all laws and regulations applicable to the operations and administration of the RAB. LPSC Orders Nos. U-17656, U-17656-A, U-17656-B and U-17656-C created the RAB, set out the LPSC's authority to oversee the Louisiana Relay System and have governed its operations.

The draft report states that the RAB is "a component unit of the State of Louisiana." The RAB obviously disagrees with that comment.

1. Deposit, investment, or disbursement of public funds

The RAB does not concur with the proposed finding that it did not comply with all applicable state laws and regulations governing the deposit, investment, or disbursement of public funds. First, this proposed finding appears to be based on an assumption that the RAB falls within the term "state agencies" for purposes of La. R.S. 49:327(C)(1). The term "state agencies" is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB fell or falls within the category of "state agencies" for purposes of La. R.S. 49:327(C)(1). Hence, the RAB has no basis to conclude that the cited statute is applicable to those funds.

Second, this proposed finding appears to be based on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by mention of Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually define "state agency" and does not purport to define "state agency." No authoritative tribunal or body has made a binding determination that the RAB was or is a "state agency" for purposes of either La. R.S. 39:372(A)(1) or Article VII, Section 9(A) of the Louisiana Constitution of 1974. If the constitutional article is applicable to the RAB (which at this time has yet to be determined), paragraph (1) of Section 9(A) of Article VII states that money received by a state agency need not be deposited in the state treasury when it has been received "as a result of grants or donations or other forms of assistance when the terms and conditions thereof or of agreements pertaining thereto require otherwise." As noted by both the RAB (in prior discussions with the OLA) and the AG in his Opinion No. 03-0081 at page 3, money received by the RAB from the LCD (presumably arising from the \$0.05 tax ultimately collected by the LCD) was required by a series of contracts between the RAB and the LCD to be used solely for the purpose of providing TRS. The AG also concluded that the LCD "has contributed voluntarily to help fund and create . . . the telecommunications relay service." La. Atty. Gen. Op. No. 03-0081, p. 4. The money arising from the monthly \$0.11 telephone access line charge, which was certainly a form of assistance (to cover TRS costs as mandated by the FCC) received by the local exchange carriers from telephone ratepayers, and which was collected by the LPSC and turned over by the LPSC to the RAB, was likewise dedicated solely to the provision of the TRS. The AG in Opinion No. 03-0081, page 3, notes that the provision of TRS is federally mandated and is funded (in part) by the \$0.11 rate fee. Any failure of the RAB to use such grants, donations and other forms of assistance from the LCD and Louisiana telephone ratepayers in compliance with those terms, conditions and agreements, namely, the utilization of the funds for the provision of TRS, would violate the representations made to telephone ratepayers by the LPSC and the RAB's contractual obligations to the LCD. In addition, the monthly \$0.11 telephone access line charge was not a tax, but rather a telephone line access charge. If, as the OLA suggests, the LPSC could not impose the \$0.11 charge for TRS or such charge represents an "overcharge" for TRS, which the RAB denies, the resulting funds in their entirety likely belong either to Louisiana telephone ratepayers or to the local exchange carriers, and would have to be refunded pursuant to applicable state laws, regulations and jurisprudence relating to utility regulation, the jurisdiction of which lies solely with the LPSC. Under those circumstances, any alleged requirement that the funds be deposited into the state treasury without constitutional or statutory protections ensuring use of the funds only for or in support of the provision of TRS would cause a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers or the local exchange carriers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Third, except for earnings on the RAB's investments, which earnings it has used to pay for telecommunications relay services for the hearing-impaired and speech-impaired community in Louisiana, the RAB has received no significant funds from any source for several years.

Fourth, the RAB has voluntarily made its books and records, including any and all banking and checking records, available for inspection and audit by OLA. As a result, for a number of years OLA has been fully aware of the deposits, investments and disbursements of the RAB's funds.

2. Funds Not Deposited into the State Treasury

The RAB does not concur with the proposed finding that the RAB was required to deposit funds into the state treasury. As noted above, for the provision of TRS, the RAB (1) accepted grants, donations or other forms of assistance, pursuant to certain contractual requirements, from the LCD and (2) exercised control over funds collected from the monthly \$0.11 telephone access line charge by the local exchange carriers and transferred through the LPSC to the RAB's accounts. The funds from the LCD were generated by action by the Louisiana legislature (and not the RAB) in imposing a monthly \$0.05 tax (dedicated to purposes determined by the LCD) on telephone lines. The monthly \$0.11 telephone access line charge arose through action of the LPSC in requiring that the charge be included on telephone bills. The RAB did not "generate" the resulting funds received as donations from the LCD or as a result of telephone bill charges. This proposed finding also appears predicated on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by reference in La. R.S. 39:372(A)(2) to Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually, or even purport to, define "state agency." No authoritative tribunal or body has made a binding determination that the RAB was or is a "state agency" for purposes of either La. R.S. 39:372(A)(1) or Article VII, Section 9(A) of the Louisiana Constitution of 1974. If the constitutional article is applicable to the RAB (which at this time has yet to be determined), paragraph (1) of Section 9(A) of Article VII states that money received by a state agency need not be deposited in the state treasury when it has been received "as a result of grants or donations or other forms of assistance when the terms and conditions thereof or of agreements pertaining thereto require otherwise." As noted by both the RAB (in prior discussions with the OLA), and the AG in his Opinion No. 03-0081 at page 3, money received by the RAB from the LCD (presumably arising from the \$0.05 tax ultimately collected by the LCD) was required by a series of contracts between the RAB and the LCD to be used solely for the purpose of providing TRS. The AG also concluded that the LCD "has contributed voluntarily to help fund and create . . . the telecommunications relay service." La. Atty. Gen. Op. No. 03-0081, p. 4. The money arising from the monthly \$0.11 telephone access line charge, which was certainly a form of assistance received by the local exchange carriers from telephone ratepayers and turned over by the LPSC to the RAB's accounts, was likewise dedicated solely to the provision of the TRS. The AG in Opinion No. 03-0081, page 3, notes that the provision of TRS is federally mandated and is funded (in part) by the \$0.11 "rate fee." Any failure of the RAB to use such grants, donations and other forms of assistance from the LCD and Louisiana telephone ratepayers in compliance with those terms, conditions and agreements, namely, the utilization of the funds for the provision of TRS, would violate the representations made to telephone ratepayers by the LPSC and the RAB's contractual obligations to the LCD. Finally, the monthly \$0.11 telephone access line charge was not a tax, but rather a telephone line access charge. If, as the OLA suggests, the LPSC could not impose the \$0.11 charge for TRS or such charge represents an "overcharge" for

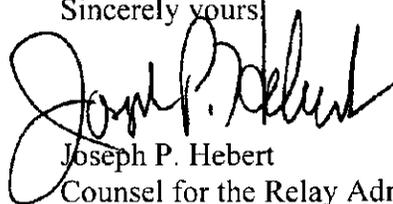
TRS, the resulting funds in their entirety belong to the Louisiana telephone ratepayers and must be refunded pursuant to applicable state laws, regulations and jurisprudence relating to utility regulation. Under those circumstances, any alleged requirement that the funds be deposited into the state treasury without constitutional or statutory protections ensuring use of the funds only for the provision of TRS would cause a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Except for earnings on the RAB's investments, which earnings it has used to pay for telecommunications relay services for the hearing-impaired and speech-impaired community in Louisiana, the RAB has received no significant funds from any source for several years. Moreover, the RAB has voluntarily made its books and records, including any and all banking and checking records, available for inspection and audit by OLA. As a result, for a number of years OLA has been fully aware of the deposits, investments and disbursements of the RAB's funds.

3. Funds Not Appropriated

The RAB does not concur with the proposed finding that it did not expend funds in accordance with "an annual appropriation by the legislature." The proposed finding assumes that the funds in question have been deposited, or are required to be deposited, into the state treasury and further assumes that the RAB is some form of "state agency" responsible for "appropriations." In addition, the proposed finding completely ignores the fact that the funds cannot be used for purposes not directly related to TRS. An alternative use would be a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and therefore would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Sincerely yours,



Joseph P. Hebert

Counsel for the Relay Administration Board

Louisiana Relay Administration Board

c/o Louisiana Public Service Commission

Post Office Box 91154

Baton Rouge, Louisiana 70821-9154

Phone: 1-800-256-2397

Fax: (225) 342-4221

Thelma Covello, Vice-President

Bonnie Eades

Julia Thornton

July 31, 2008

Mr. Michael Glover
9497 Brookline
Baton Rouge, Louisiana 70809

RE: Response to Finding #2 of Audit of Louisiana Relay Administration Board

Dear Mr. Glover:

The RAB is a non-profit, charitable corporation. It has no regular staff. It has no paid employees. Its board members serve voluntarily and are not paid. The RAB does not provide employee benefits to anyone. It does not maintain any regular office facilities or staff. Its Board meets once per quarter. It retains professionals such as accountants and attorneys when needed, but it has no in-house accounting or legal staff. Consequently, the RAB should not be expected to, and cannot be expected to, respond as timely with respect to the Louisiana Legislative auditing process as would a state agency, which has (1) regularly-paid and compensated, full-time employees and administrative personnel entitled to full employee benefits and (2) immediate access to required accounting and legal expertise. Any failure of the RAB or any of its contract personnel to provide information in a timely fashion during the course of this audit is strictly due to the reasons listed above and is in no way the result of willful neglect or refusal to provide appropriate records.

Furthermore, please reference the RAB's response dated July 30, 2007, from Mr. Joseph P. Hebert, RAB counsel, pertaining to last year's audit report. It has been and remains the position of the RAB that it is not a "governmental entity" or a "state agency"; consequently, it is our position that compliance with state laws applicable to governmental entities and/or state agencies is not applicable to the RAB. The RAB has cooperated with your audit, as with those performed by the Legislative Auditor in the past, in a good-faith effort to be as transparent as possible.

Glover
Page 2
July 31, 2008

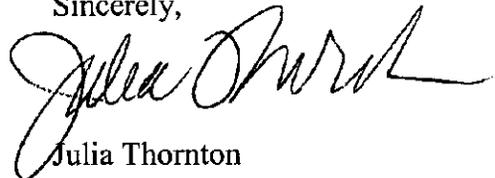
To further prove this point, please refer to the FCC's letter dated July 16, 2008, wherein the RAB's Telecommunications Relay Services application for certification has been granted for a 5 year period, beginning July 26, 2008, and ending on July 25, 2013. In this certification letter the FCC makes the pertinent statement, "The Bureau also has determined that the State of Louisiana's intrastate funding mechanism is labeled in a manner that promotes national understanding of TRS and does not offend the public ..."

II. Corrective Action:

It is the RAB's current policy to cooperate fully with the Legislative Auditor in submitting to its annual audit of the RAB. The RAB will continue to strive to provide information in a timely and organized fashion during the course of future audits so that, to the extent possible, it does not hinder the timely completion of these audits.

Thank you for your consideration throughout this process and please feel free to contact me with any questions.

Sincerely,



Julia Thornton
Secretary-Treasurer (interim)

Enclosure

Cc: Board
Mr. Joseph P. Hebert, Liskow & Lewis



Federal Communications Commission
Washington, D.C. 20554

July 16, 2008

RECEIVED

JUL 21 2008

Utilities Division
LA Public Service Commission

Louisiana Relay Administration Board
Owen Stricker
c/o Louisiana Public Service Commission
PO Box 91154
Baton Rouge, LA 70821-9154

Re: Telecommunications Relay Services (TRS); Application No.: TRS-13-07; CG Docket No. 03-123

Dear Mr. Stricker:

Pursuant to Title IV of the Americans with Disabilities Act of 1990, section 225(f)(2) of the Communications Act of 1934, as amended, 47 U.S.C. § 225(f)(2), and section 64.606(b) of the Commission's rules, 47 C.F.R. § 64.606(b), the Application of the State of Louisiana for certification of its Telecommunications Relay Services (TRS) program, Application No. TRS-13-07, is hereby **GRANTED**. On the basis of its application, the Consumer & Governmental Affairs Bureau (Bureau) has determined that:

- (1) the TRS program of the State of Louisiana meets or exceeds all operational, technical, and functional minimum standards contained in section 64.604 of the Commission's rules, 47 C.F.R. § 64.604;
- (2) the State of Louisiana's program makes available adequate procedures and remedies for enforcing the requirements of the TRS program; and
- (3) the State of Louisiana's TRS program in no way conflicts with federal law.

The Bureau also has determined that the State of Louisiana's intrastate funding mechanism is labeled in a manner that promotes national understanding of TRS and does not offend the public, consistent with section 64.606 of the Commission's rules, 47 C.F.R. § 64.606(d).

Because the Commission may adopt further changes to the rules governing relay programs, including state relay programs, the certification granted herein is conditioned on a demonstration of compliance with any new rules ultimately adopted by the Commission. The Commission will provide guidance to the states, U.S. territories, and the District of Columbia on demonstrating compliance with such rule changes.

This certification shall remain in effect for a five year period, beginning July 26, 2008, and ending on July 25, 2013, pursuant to 47 C.F.R. § 64.606(c). One year prior to the expiration of this certification, July 25, 2012, the State of Louisiana may apply for renewal of its TRS program by filing documentation in accordance with the Commission's rules, pursuant to 47 C.F.R. §§ 64.606(a) and (b).

Sincerely,

Thomas Chandler
Chief, Disability Rights Office
Consumer & Governmental Affairs Bureau