



2006

FINANCIAL STATEMENTS

OUR VISION

We envision a government responsive to the needs of the people of Louisiana and accountable for the efficient, effective, and appropriate use of public resources through timely, objective, and accurate public communications.

OUR MISSION

To provide legislative oversight relating to the use of public resources within Louisiana, by providing timely, objective, and accurate information on public funds, the stewardship of public officials and the performance of public programs.

OUR GOALS

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

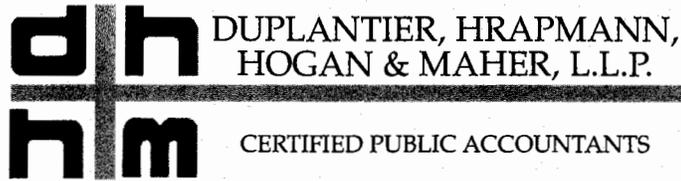
Provide quality audit services for state and local governments, and those who rely on those services

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

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

	Page
Independent Auditor's Report on the Financial Statements.....	3
Management's Discussion and Analysis	5
Statement	
Basic Financial Statements:	
Statement of Net Assets..... A.....	7
Statement of Governmental Fund Revenues, Expenditures, and Changes in the Fund Balance/Statement of Activities..... B.....	9
Notes to the Financial Statements	11
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual..... C.....	19
Schedule	
Schedules:	
Balance Sheet, General Fund	1.....21
Statement of Revenues, Expenditures, and Changes in Fund Balance, General Fund.....	2.....23
Exhibit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

September 14, 2006

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the Legislative Auditor's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Auditor, State of Louisiana, as of June 30, 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 5 through 6 and page 19, respectively, are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules on pages 21 and 23 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Legislative Auditor, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2006 on our consideration of the Legislative Auditor, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of law and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hagemann, Hogan & Neher LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 14, 2006

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

In accordance with Louisiana Revised Statute 24:514, the annual financial statements of the Louisiana Legislative Auditor as of and for the year ended June 30, 2006, are submitted herewith. The objectives of these statements are to present our financial condition and results of operations in accordance with generally accepted accounting principles. The accompanying financial statements have been prepared using Governmental Accounting Standards Board Statement 34.

Management's Discussion and Analysis

This annual report consists of a series of financial statements, and supporting schedules, intended to present the user with two views of the office, one short-term, one long-term. The Statement of Net Assets (page 7) and Statement of Activities (page 9) start with a fund view of the office, which provides a short-term view of operations; this General Fund is adjusted to a long-term view, recording the effect of long-term obligations and capital assets.

A budget comparison of actual to the final budget is included as required supplemental information (page 19). The reporting perspective of the comparison is short-term, reflecting the office's stewardship with the annual lapsing appropriation.

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

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

	<u>Current Year</u> <u>As of June 30, 2006</u>	<u>Prior Year</u> <u>As of June 30, 2005</u>
Current assets	\$3,635,644	\$1,838,898
Capital assets	338,030	266,349
Total assets	<u>3,973,674</u>	<u>2,105,247</u>
Current liabilities	763,843	889,645
Long-term liabilities	1,285,139	1,193,485
Total liabilities	<u>2,048,982</u>	<u>2,083,130</u>
Invested in capital assets	338,030	266,349
Unrestricted (deficit)	<u>1,586,662</u>	<u>(244,232)</u>
Total net assets	<u><u>\$1,924,692</u></u>	<u><u>\$22,117</u></u>

LOUISIANA LEGISLATIVE AUDITOR

	Current Year For the Year Ended June 30, 2006	Prior Year For the Year Ended June 30, 2005
Program revenues:		
Audit fees and allocations	\$10,724,747	\$8,886,430
Court recoveries	48	660
Total program revenues	<u>10,724,795</u>	<u>8,887,090</u>
General revenues:		
State appropriation	7,614,486	6,660,672
Interest, photocopies, miscellaneous	36,660	20,533
Total general revenues	<u>7,651,146</u>	<u>6,681,205</u>
Total revenues	<u>18,375,941</u>	<u>15,568,295</u>
Total expenses	<u>16,473,366</u>	<u>15,528,169</u>
Change in net assets	<u>\$1,902,575</u>	<u>\$40,126</u>

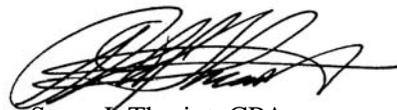
The legislative auditor's net assets increased by \$1,902,575 during fiscal year 2006, primarily caused by fees related to hurricane disaster recovery for the State of Louisiana.

A comparison of budget to actual operations is a required supplemental statement reflected by Statement C. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

Annually, the Legislative Auditor is audited by a certified public accounting firm selected by the President of the Louisiana Senate and the Speaker of the Louisiana House of Representatives. Copies of those audits are available for public inspection within my office.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

SJT:JPB:ss

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

LOUISIANA LEGISLATIVE AUDITOR

Statement of Net Assets, June 30, 2006

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS *</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS:			
Cash in bank	\$1,756,909		\$1,756,909
Cash in state treasury - means of financing	1,304,585		1,304,585
Accounts receivable:			
Accrued interest	8,142		8,142
Miscellaneous	250		250
Audit allocations and fees receivable:			
Billed, but uncollected, allocations and fees (net)	418,454		418,454
Earned fees, but unbilled	147,246		147,246
Prepaid expenses	58		58
Furniture, fixtures, and equipment (net of allowance for depreciation)		\$338,030 (1)	338,030
	<u>\$3,635,644</u>	<u>\$338,030</u>	<u>\$3,973,674</u>
TOTAL ASSETS	<u>\$3,635,644</u>	<u>\$338,030</u>	<u>\$3,973,674</u>
LIABILITIES:			
Accounts payable	\$167,008		\$167,008
Accrued salaries and related benefits	596,835		596,835
Compensated absences		\$1,285,139 (2)	1,285,139
TOTAL LIABILITIES	<u>763,843</u>	<u>1,285,139</u>	<u>2,048,982</u>
FUND BALANCE/NET ASSETS:			
Unreserved	<u>2,871,801</u>	<u>(2,871,801)</u>	
Total liabilities and fund balance	<u>\$3,635,644</u>		
NET ASSETS:			
Invested in capital assets		338,030	338,030
Unrestricted (deficit)		<u>1,586,662</u>	<u>1,586,662</u>
TOTAL NET ASSETS		<u>\$1,924,692</u>	<u>\$1,924,692</u>

*Explanations

(1) Capital assets, including depreciation, are recorded on the Statement of Net Assets, but not within the fund statements of the General Fund.

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

The accompanying notes are an integral part of this statement.

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LOUISIANA LEGISLATIVE AUDITOR

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in the Fund Balance/Statement of Activities
For the Year Ended June 30, 2006**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS *</u>	<u>STATEMENT OF ACTIVITIES</u>
EXPENDITURES/EXPENSES:			
Personal services and related benefits	\$14,920,041	\$91,654 (1)	\$15,011,695
Travel	441,744	(2,848) (3)	438,896
Operating services	596,085		596,085
Supplies	140,073	129,244 (2)	269,317
Professional services	70,518		70,518
Capital outlay	287,780	(287,780) (2)	
Depreciation		86,855 (2)	86,855
Total Expenditures	<u>16,456,241</u>	<u>17,125</u>	<u>16,473,366</u>
PROGRAM REVENUES:			
Audit fees and allocations	10,724,747		10,724,747
Court recoveries	48		48
Total Program Revenues	<u>10,724,795</u>	<u>NONE</u>	<u>10,724,795</u>
Net Program Expenses			(5,748,571)
GENERAL REVENUES:			
State General Fund Appropriation	7,614,486		7,614,486
Interest	36,646		36,646
Prior year return	2,848	(2,848) (3)	
Miscellaneous	14		14
Total General Revenues	<u>7,653,994</u>	<u>(2,848)</u>	<u>7,651,146</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,922,548	(1,922,548)	
Change in Net Assets		1,902,575	1,902,575
FUND BALANCE/NET ASSETS			
Beginning of Year	<u>949,253</u>	<u>(927,136)</u>	<u>22,117</u>
End of Year	<u>\$2,871,801</u>	<u>(\$947,109)</u>	<u>\$1,924,692</u>

*Explanations

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

The accompanying notes are an integral part of this statement.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The legislative auditor has audit responsibility for some 4,000 units of state and local government and quasi-public corporations, some of which are audited by certified public accountants with oversight and monitoring provided by the legislative auditor. The auditor's main office is located in Baton Rouge, Louisiana, with an area office located in New Orleans. The legislative auditor employs 207 staff members, including auditors, information systems personnel, an attorney, and various administrative personnel. The auditor's operations are funded through an annual lapsing legislative appropriation.

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the legislative auditor) to be the State of Louisiana. The accompanying financial statements of the legislative auditor contain sub-account information of the General Fund of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The legislative auditor's General Fund contains two sub-funds, the General Appropriation Fund and Ancillary Enterprise Fund.

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

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

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the legislative auditor using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered

available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The legislative auditor considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Using this methodology, the legislative appropriation is recorded during the year, and for the year, the appropriation is made, audit fees and allocations are recorded when earned, and interest and miscellaneous revenues are recorded when earned. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences are recorded when paid.

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

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

General Appropriation Fund

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

Ancillary Fund

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

The legislative auditor is also authorized to allocate costs relating to state government to state agencies. Those allocated costs are accounted for within the Ancillary Fund. All miscellaneous revenues are also recorded in the Ancillary Fund. The annual appropriation act authorizes budgeted transfers from this fund to the General Appropriation Fund.

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

B. CASH IN BANK AND STATE TREASURY

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

<u>Bank</u>	<u>Fund</u>	<u>Balance</u>
Capital One Bank	General	\$1,756,909
Capital One Bank	Payroll Account	NONE

Under state law, the legislative auditor may deposit funds with a fiscal agent bank selected and designated by the Interim Emergency Board. These public deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank. The bank deposits at June 30, 2006, are secured as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>	<u>FDIC Insurance</u>	<u>Pledged Collateral</u>
Cash in bank	\$1,756,909	\$2,054,558	\$100,000	\$4,570,951

In addition, the legislative auditor maintains accounts with the Louisiana Department of Treasury.

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

C. RECEIVABLES

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

	<u>Gross Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
Billed audit fees	\$418,454	NONE	\$418,454
Earned, but unbilled audit fees	147,246	NONE	147,246

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

D. PREPAID EXPENSES

Prepaid expenses consist of \$58 of prepaid postage.

E. FURNITURE, FIXTURES, AND EQUIPMENT

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

<u>Assets of \$5,000 or Greater</u>	<u>Cost</u>	<u>Allowance for Depreciation</u>	<u>Net Value</u>
Balance, July 1, 2005	\$723,774	(\$457,425)	\$266,349
Acquisitions	158,536		158,536
Disposals	(41,576)	41,576	
Depreciation		(86,855)	(86,855)
	<u>\$840,734</u>	<u>(\$502,704)</u>	<u>\$338,030</u>
Balance, June 30, 2006	<u>\$840,734</u>	<u>(\$502,704)</u>	<u>\$338,030</u>

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

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

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

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

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
\$250 to \$1,000	\$376,937	\$13,491	(\$20,319)	\$370,109
\$1,000 to \$4,999	1,374,867	115,059	(256,729)	1,233,197

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

F. COMPENSATED ABSENCES

The long-term obligation of accumulated unpaid annual, sick, and compensatory leave is recorded in the Statement of Net Assets and Statement of Activities. The office's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the office's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to an employee at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees can earn compensatory leave for hours worked in excess of 80 hours per pay period. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2006, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, total \$1,285,139.

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

Balance July 1, 2005	Net Change	Balance June 30, 2006
\$1,193,485	\$91,654	\$1,285,139

G. RECONCILIATION

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

Fund Balance, June 30, 2006	\$2,871,801
Furniture, fixtures, and equipment	338,030
Compensated absences	(1,285,139)
Net Assets, June 30, 2006	\$1,924,692

H. BUDGETARY PRACTICES

The legislative appropriation made for the general operations of the office is an annual lapsing legislative appropriation accounted for within the General Appropriation Fund (Schedules 1 and 2). Amounts not expended at September 1, 2006, revert to the General Fund of the State of Louisiana or to the Ancillary Fund. Amendments to the budget must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council.

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

Transfers from the Ancillary Fund are limited by the legislative appropriation and any amendment that would increase the amount of the authorized transfer must be approved by the Legislative Budgetary Control Council and/or the Legislative Audit Advisory Council. Transfers between the expenditure classifications on Statement C may be authorized by the legislative auditor.

In addition to the amount appropriated for general operations of the legislative auditor reflected on Statement C, the legislature appropriated \$350,000 to the legislative auditor for the 2005-2006 budget year to establish, if needed, working capital for the Ancillary Fund. The appropriation was not drawn by the legislative auditor and is not reflected as a revenue (or budgeted revenue) on Statement C in that the legislative auditor has not historically drawn such amount to fund operations.

Encumbrance accounting is used during the year to reserve portions of the annual appropriation for unfilled purchase orders. Year-end encumbrances are not charged against the current year appropriation and are carried forward into the next budget year. Encumbrances at June 30, 2006, are not recorded in the accompanying financial statements; encumbrances at year-end totaled \$8,175.

I. LEASE AGREEMENTS

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

<u>Fiscal Year</u>	<u>Baton Rouge (Expires September 2006)</u>	<u>New Orleans (Expires September 2007)</u>
2007	\$1,425	\$46,044
2008		\$11,511

Rental and lease expenditures, including month-to-month equipment rentals not included above, for the year totaled \$58,582.

J. RISK MANAGEMENT

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

K. RETIREMENT BENEFITS

The legislative auditor provides certain continuing health care and life insurance benefits for its retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the legislative auditor. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program, whose monthly premiums are paid jointly by the employee and the legislative auditor. The legislative auditor recognizes the cost of providing these benefits as an expenditure in the year paid. For the year ended June 30, 2006, the employer's cost of retiree benefits totaled \$493,242 for 91 retirees and their spouses, funded through the legislative appropriation. Retirees pay one-quarter of their health benefits.

L. RETIREMENT SYSTEM

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

Funding Policy. Plan members of the legislative auditor are required by state statute to contribute 7.5% of their annual covered salary and the office (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 19.1% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The legislative auditor's employer contributions to state retirement systems for the years ending June 30, 2006, 2005, and 2004, were \$2,011,453, \$1,831,109, and \$1,583,908, respectively, and were equal to the required contributions for each year.

M. LITIGATION, CLAIMS, AND SIMILAR CONTINGENCIES

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

At June 30, 2006, the legislative auditor is involved in various litigation relating to his function as the state auditor. In the opinion of legal counsel, resolution of the litigation would not result

in substantial liability to the legislative auditor (or State of Louisiana) and, accordingly, is not recorded in the accompanying financial statements.

N. PROFESSIONAL SERVICES

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

Cherbonnier Mayer	Application and Development	\$34,188
IBM	Disaster Recovery	22,896
Automation Centre	Application and Development	8,018
Kean, Miller, Hawthorn, D'Armond, McCowan and Jarman, LLP	Legal	5,286
Time Solutions	Network Support	<u>130</u>
Total		<u><u>\$70,518</u></u>

O. OTHER COSTS

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

Required Supplemental Information

**LOUISIANA LEGISLATIVE AUDITOR
GENERAL FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

	BUDGETED AMOUNTS		ACTUAL AMOUNT BUDGETARY BASIS	BUDGET TO GAAP	ACTUAL AMOUNT GAAP BASIS
	ORIGINAL	FINAL		DIFFERENCES OVER (UNDER) *	
REVENUES APPROPRIATED BY LEGISLATURE					
State General Fund	\$7,614,486	\$7,614,486	\$7,614,486		\$7,614,486
Audit fees and self-generated revenues	9,835,129	9,835,129	10,764,303	(\$2,848) (3)	10,761,455
Total revenues	<u>17,449,615</u>	<u>17,449,615</u>	<u>18,378,789</u>	<u>(2,848)</u>	<u>18,375,941</u>
EXPENDITURES					
Personal services and related benefits	15,625,438	15,660,449	14,920,041	91,654 (1)	15,011,695
Travel	695,266	596,427	441,744	(2,848) (3)	438,896
Operating services	630,660	650,817	596,085		596,085
Supplies	129,551	158,625	140,073	129,244 (2)	269,317
Professional services	91,000	77,169	70,518		70,518
Capital outlay	277,700	306,128	287,780	(287,780) (2)	
Depreciation				86,855 (2)	86,855
Total expenditures	<u>17,449,615</u>	<u>17,449,615</u>	<u>16,456,241</u>	<u>17,125</u>	<u>16,473,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	NONE	NONE	1,922,548	(19,973)	1,902,575
FUND BALANCE AT BEGINNING OF YEAR					
	<u>NONE</u>	<u>NONE</u>	<u>949,253</u>	<u>(927,136)</u>	<u>22,117</u>
FUND BALANCE AT END OF YEAR					
	<u><u>NONE</u></u>	<u><u>NONE</u></u>	<u><u>\$2,871,801</u></u>	<u><u>(\$947,109)</u></u>	<u><u>\$1,924,692</u></u>

*Explanation of Differences

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

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Schedule 1 - Balance Sheet, General Fund

Schedule 2 - Statement of Revenues, Expenditures, and Changes
in Fund Balance, General Fund

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

**Balance Sheet
June 30, 2006**

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	GENERAL FUND FOR THE YEARS ENDED	
			JUNE 30, 2006	JUNE 30, 2005
ASSETS				
Cash in bank	\$1,756,909		\$1,756,909	\$1,253,525
Cash in state treasury, means of financing		\$1,304,585	1,304,585	371,364
Accounts receivable:				
Accrued interest		8,142	8,142	3,906
Miscellaneous	250		250	5,314
Audit allocations and fees receivable:				
Billed, but uncollected, allocations and fees (net)		418,454	418,454	30,108
Earned fees, but unbilled		147,246	147,246	174,285
Prepaid expenses	58		58	396
	<u>\$1,757,217</u>	<u>\$1,878,427</u>	<u>\$3,635,644</u>	<u>\$1,838,898</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$167,008		\$167,008	\$353,135
Accrued salaries and related benefits	596,835		596,835	536,510
Total Liabilities	<u>763,843</u>	<u>NONE</u>	<u>763,843</u>	<u>889,645</u>
Fund balances	<u>993,374</u>	<u>\$1,878,427</u>	<u>2,871,801</u>	<u>949,253</u>
	<u>\$1,757,217</u>	<u>\$1,878,427</u>	<u>\$3,635,644</u>	<u>\$1,838,898</u>

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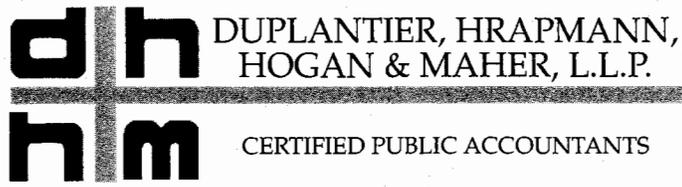
**LOUISIANA LEGISLATIVE AUDITOR
GENERAL FUND
(ALL APPROPRIATED AND NON-APPROPRIATED FUNDS)**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2006**

	GENERAL APPROPRIATION FUND	ANCILLARY FUND	GENERAL FUND FOR THE YEARS ENDED	
			JUNE 30, 2006	JUNE 30, 2005
REVENUES				
State General Fund appropriation	\$7,614,486		\$7,614,486	\$6,660,672
Audit fees and allocations		\$10,724,747	10,724,747	8,886,430
Interest		36,646	36,646	20,285
Photocopies		14	14	128
Court recoveries		48	48	660
Prior year return		2,848	2,848	
Miscellaneous				120
Total revenues	<u>7,614,486</u>	<u>10,764,303</u>	<u>18,378,789</u>	<u>15,568,295</u>
EXPENDITURES				
Personal services and related benefits	14,920,041		14,920,041	13,856,770
Travel	441,744		441,744	511,373
Operating services	596,085		596,085	525,960
Supplies	140,073		140,073	146,347
Professional services	70,518		70,518	78,845
Capital outlay	287,780		287,780	309,251
Total expenditures	<u>16,456,241</u>	<u>NONE</u>	<u>16,456,241</u>	<u>15,428,546</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES				
	<u>(8,841,755)</u>	<u>10,764,303</u>	<u>1,922,548</u>	<u>139,749</u>
OTHER FINANCING SOURCE AND USES				
Transfer to Ancillary Fund	(372,437)	372,437		
Transfer from Ancillary Fund	9,835,129	(9,835,129)		
Total other financing source and uses	<u>9,462,692</u>	<u>(9,462,692)</u>	<u>NONE</u>	<u>NONE</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USES				
	620,937	1,301,611	1,922,548	136,749
BEGINNING OF YEAR FUND BALANCE				
	<u>369,590</u>	<u>579,663</u>	<u>949,253</u>	<u>805,504</u>
END OF YEAR FUND BALANCE				
	<u>\$990,527</u>	<u>\$1,881,274</u>	<u>\$2,871,801</u>	<u>\$942,253</u>

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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*



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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*

September 14, 2006

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Auditor, State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Auditor, State of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Legislative Auditor, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Deuplantier, Hopmann, Hogan & Meter LLP