



# Louisiana

POPULAR ANNUAL FINANCIAL REPORT

*For The Fiscal Year Ended June 30, 2007*

# STATE OF LOUISIANA

## Popular Annual Financial Report

### Fiscal Year Ended June 30, 2007

The Popular Annual Financial Report (Popular Report) is prepared after each fiscal year end to comply with statutory requirements with the express purpose of providing a brief, objective, and easily understood analysis of the State's financial performance for the preceding year, as well as facilitating wide dissemination of the report to the public. It presents selected basic information about the State of Louisiana's revenues, expenditures, financial position, budget and performance. The information, presented in a non-technical format, is intended to summarize basic financial information about our State.

The financial information included in this report is supported in detail in the State's Comprehensive Annual Financial Report (CAFR). The financial data presented in the "Government-wide Financial Analysis", "General Fund Balance Sheet", and "Unreserved and Undesignated General Fund Balance" sections of this report use the same accounting measurements and principles as the Comprehensive Annual Financial Report for the State of Louisiana (CAFR).

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and is independently audited by the Office of the Legislative Auditor of the State of Louisiana. Conversely, this report is unaudited and includes financial data (in the "Government-wide Financial Analysis" section) that departs from GAAP since it does not include the entire GAAP reporting entity (such as component units of the State) and includes only selected financial data. Additionally, the data found in the "Budgetary Information" section departs from GAAP because it is prepared on a non-GAAP budgetary basis.

The CAFR can be obtained on the internet at [www.doa.la.gov/osrap/cafr-2.htm](http://www.doa.la.gov/osrap/cafr-2.htm) or by contacting the Office of Statewide Reporting and Accounting Policy, P.O. Box 94095, Baton Rouge, LA 70804-9095.

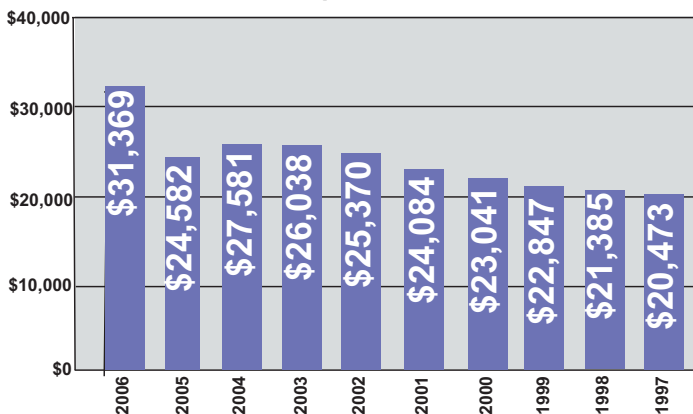
#### ECONOMIC OUTLOOK

When Hurricanes Katrina and Rita struck in 2005, they suddenly changed the economic structure, altered potential revenue streams, and imposed new expenditures on the State. As a result of the hurricanes, revenue estimates for 2006 were lowered; however, instead of hampering revenue collections, the degree of damage from the hurricanes actually stimulated revenue increases for the replacement of goods that were lost or destroyed in the hurricanes. State revenues have continued to increase because of the economic activity created by recovery from the storms. The State has an additional \$900 million that will be counted as non recurring revenues to be appropriated during fiscal year 2008.

The oil and gas industry is a giant economic engine for Louisiana's economy, supporting \$70.2 billion in sales and

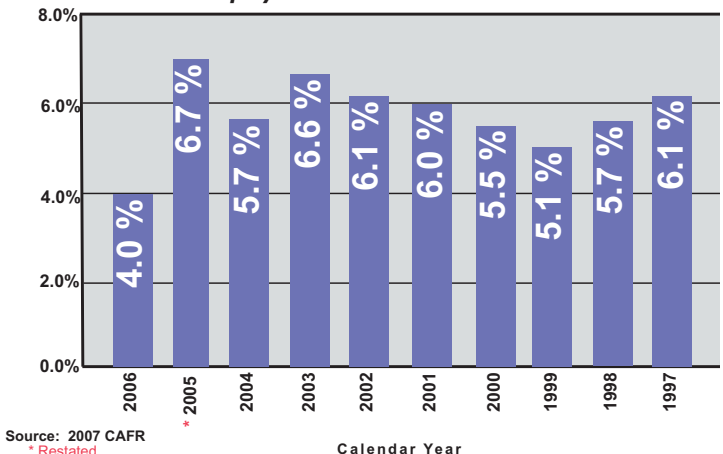
thousands of jobs throughout the State. Louisiana's construction industry is experiencing an unprecedented boom with 122,000 homes currently being built with another 380,000 homes and rental units in need of repair, which will be hastened by Louisiana's \$9 billion Road Home program. The state is continuing to invest in infrastructure projects needed to stimulate economic development. As the recovery from the hurricanes continues, Louisiana is striving to strengthen and diversify the economy. (Excerpts taken from *The Louisiana Economic Outlook: 2008-2009*, by Loren C. Scott, James A. Richardson, M. Dek Terrell, and Mary Jo Neathery, published in October 2007.)

Income Per Capita Last 10 Calendar Years



Source: 2007 CAFR

Unemployment Rate Last 10 Calendar Years



Source: 2007 CAFR  
\* Restated

#### GOVERNMENT-WIDE FINA

Government-wide activities provide a broad overview of the State's finances similar to a private sector business. The government-wide activities presented here reflect the combined financial position and operating results of the State, not including fiduciary funds (such as pension funds) or component units. Component units are entities which the State has some accountability for that are required to be separately reported in the State's CAFR.

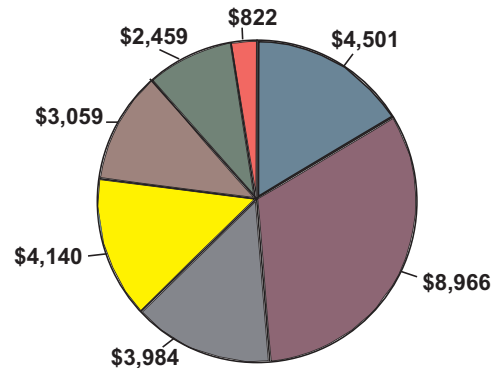
By comparison to last fiscal year, the government-wide statements of the State reflect total assets of \$33 billion (a \$5.6 billion increase over last year) and total liabilities of \$13 billion (a \$2.2 billion increase). As a result, total net assets (assets less liabilities) equaled \$20 billion at June 30, 2007, which is an increase of \$3.4 billion or 20% over the last year. The unrestricted net assets equaled \$1.2 billion at June 30, 2007, which is an increase of \$4.2 billion over last year.

**REVENUES:**

State revenues totaled \$27.9 billion in fiscal year 2006-2007. Fund balances and other State assets were also used to support government programs. The accompanying chart shows revenue by source. 32% of the State's revenue came from the federal government and was earmarked for specific purposes.

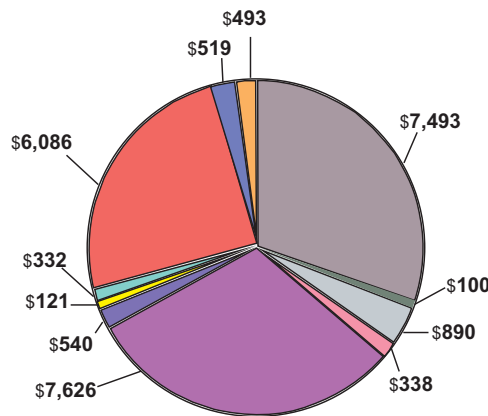
**GOVERNMENT-WIDE REVENUES  
(IN MILLIONS)**

- CHARGES FOR SERVICES
- FEDERAL GRANTS
- CAPITAL GRANTS
- INCOME TAXES
- SALES TAXES
- OTHER TAXES
- OTHER



**Government-Wide Expenses  
(In Millions)**

- GENERAL GOVERNMENT
- CULTURE, RECREATION & TOURISM
- TRANSPORTATION
- PUBLIC SAFETY
- HEALTH & WELFARE
- CORRECTIONS
- YOUTH SERVICES
- CONSERVATION
- EDUCATION
- OTHER
- ENTERPRISE ACTIVITIES

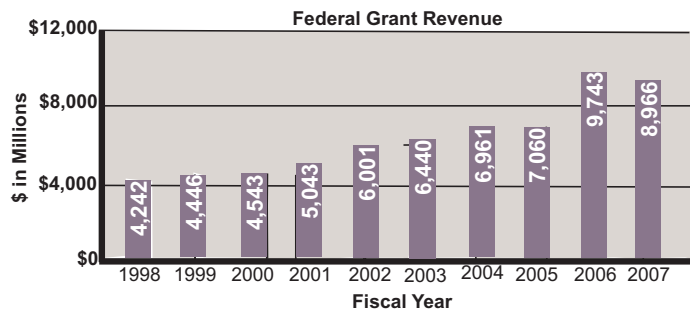


**EXPENSES:**

On a government-wide basis, the State spent \$24.5 billion to provide services to Louisiana citizens. As depicted in the accompanying chart, health and welfare and general government represent the State's largest spending category, each accounting for 31% of the State's spending for the fiscal year. These two categories are closely followed by education, accounting for 25% of the State's spending.

**FEDERAL**

The federal government awards financial assistance to the State in the form of Federal Grants. Health and welfare programs have been consistently receiving the bulk of the financial assistance through federal grants, averaging \$5.7 billion per year for the past five years, followed closely by education, with an average of \$1 billion per year for the past five years. In 2005, extensive damage occurred to Louisiana as a result of Hurricanes Katrina and Rita. Since that time, the federal government has aided Louisiana in its recovery by providing additional federal grants. This assistance has created an average increase in general government operating grants and contributions revenue of \$1.6 billion for the past two years.



**STA**

Louisiana is continuing to restore the tourism industry, one of the largest industries in the State, after the damage caused by the catastrophic hurricanes of 2005. To advance the efforts of rebuilding the industry, an integrated marketing approach was developed that included targeted messages through paid advertising, public relations initiatives, and the Internet. The award-winning advertising campaign is estimated to provide an \$8.40 return in State taxes from visitors for every dollar the State spends. Signs of recovery of the tourism industry include a strong Mardi Gras and New Orleans Jazz and Heritage Festival this year, with hotel occupancy at 90% or greater in New Orleans during Mardi Gras and Jazz Fest.

The Office of State Parks serves as a major component in the State's tourism industry. The agency serves the citizens of Louisiana and their visitors by preserving and interpreting natural areas of unique or exceptional scenic value and providing outdoor recreation opportunities. It currently operates 24 State Parks covering 30,984 acres and 20 State Historic Sites covering 2,539 acres. Bayou Segnette State Park, one of the two remaining parks still closed at the beginning of the fiscal year because of damage from the hurricanes, re-opened its campground and day-use facilities as of March 2007. During 2008, the Louisiana tourism industry is expected to host 23.4 million visitors with expected revenues of \$7.9 billion.

## GENERA

Total General Government Expenditures for FYE 2007 totaled \$7.5 billion. Of that amount, the Department of Social Services and the Governor's Office of Homeland Security and Emergency Preparedness comprised \$1.0 billion and \$1.3 billion of those expenditures, respectively.

The Governor's Office of Homeland Security and Emergency preparedness is responsible for protecting the citizens of Louisiana via efficient and reliable communication during disaster operations, when time-sensitive information is vital to mission accomplishment.

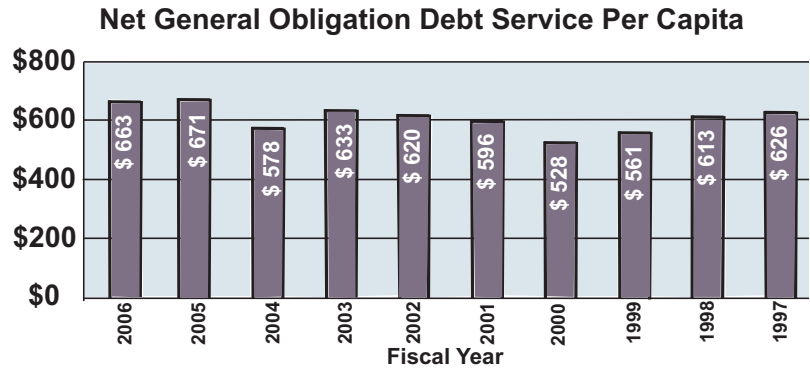
The Louisiana Department of Social Services provides services

such as vocational rehabilitation to assist individuals with disabilities develop career skills, and assist those individuals with job placement and transportation to and from work. Social services also include services such as child protection, child abuse and neglect investigations, child care assistance, cash assistance, food stamp program assistance, and child support enforcement.

The remaining \$5.2 billion of expenditures were comprised of costs associated with Economic Development of the State, Statewide and local elections, Environmental Quality across the State, Worker's Compensation, Workforce Development, and the general costs to run the State, including salaries, benefits, and retirement funding costs for State employees.

## STA

Louisiana Revised Statutes (LRS) 39:1365(25) and 39:1402(D) limit the authorization and issuance, respectively, of general obligation bonds. Good debt management has produced positive results. "Debt service per capita" is the amount the State will pay per person for the general obligation debt of the State, less amounts to be received from local governments for their portion of the debt. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2006 was \$663. (Fiscal year 2007 is not available due to the unavailability of the 2007 population estimate at the date of this printing.)

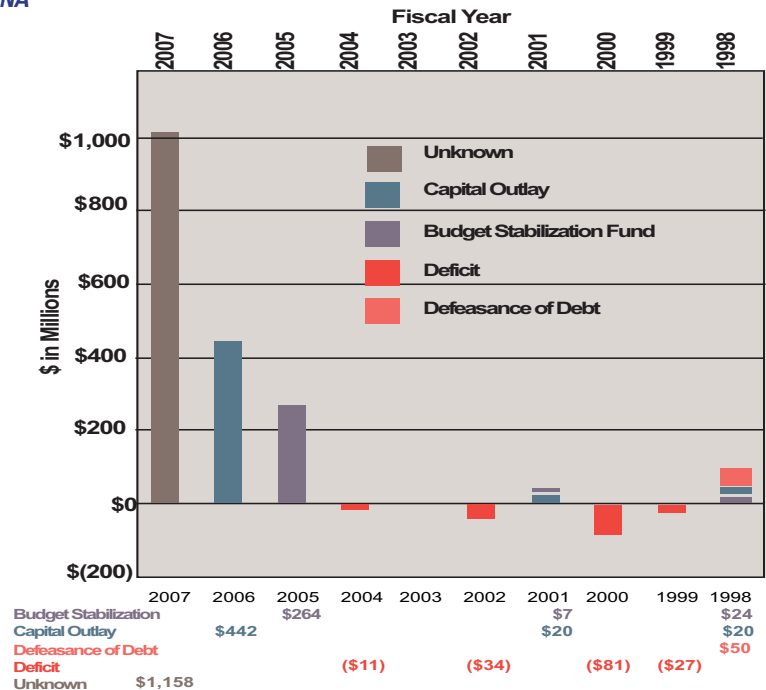


## GENERA

While the discussion on the government-wide financial statements shows the condition of the entire State, of special interest is the balance sheet of the General Fund, which is the chief operating fund of the State. The fund's assets of \$4.4 billion and obligations of \$2.6 billion leave a total fund balance of \$1.8 billion. Much of this balance (the "reserved fund balance" and the "designated fund balance") is usually reserved or designated for various specific purposes, while any remaining amount (the "unreserved and undesignated fund balance") is theoretically the amount left over after all of the State's obligations have been met. For fiscal year 2007, the total available assets exceeded the total liabilities, reservations, and designations, resulting in a surplus of \$1.2 billion.

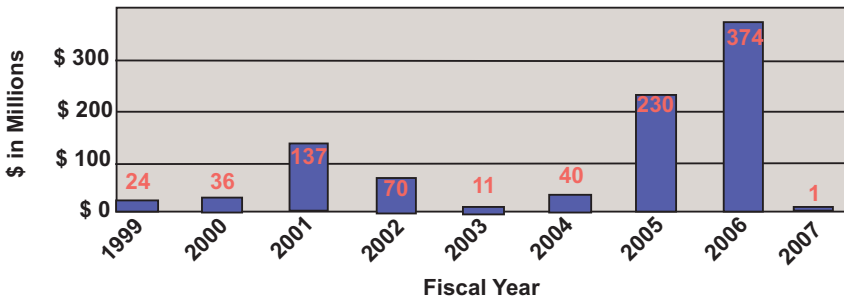
## UNRESERVED/UNDESIGNA

One measure of the financial performance of the State is the comparison of the unreserved and undesignated fund balance (the surplus or deficit) of the General Fund for the last several years. This fund balance is theoretically the amount "left over" after assets are compared against liabilities. According to the Louisiana Constitution, any surplus can only be used for either: capital construction, retirement or defeasance of debt, or providing payments against the unfunded accrued liability of the retirement systems. In addition, beginning in 1998, 25% of any nonrecurring revenue, such as surpluses, must be placed in the Budget Stabilization or "Rainy Day" Fund. As previously mentioned, fiscal year 2007 closed with the General Fund having a surplus of \$1.2 billion after some of the total fund balance was either reserved or designated. As of this printing, it is not known how this surplus will be used. The following table shows the General Fund surpluses and deficits for the last 10 years and how any surpluses were spent.



## BUDGET STA

Budget Stabilization Deposits

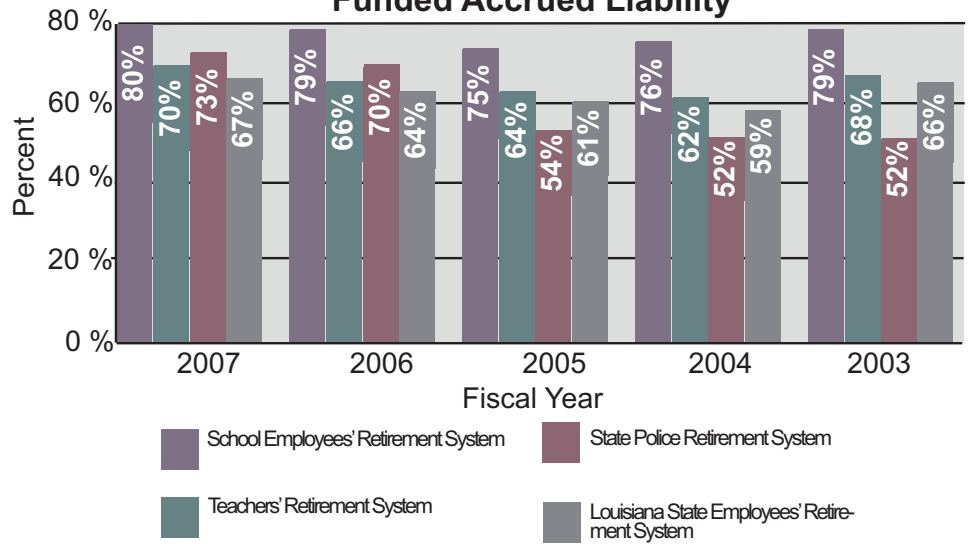


The Budget Stabilization Fund was created in 1990 for use as a source of funding in times of declining revenues. The fund receives its monies from mineral revenues, non-recurring revenues, monies in excess of the expenditure limit, and other monies appropriated by the legislature. The monies can be spent if the forecast for recurring revenues for the next fiscal year is less than the current fiscal year, or if a deficit for the current fiscal year is projected due to a decrease in recurring revenues. For fiscal year 2007, \$580 thousand in deposits were made to bring the fund balance up to the cap of \$682 million. According to Louisiana

Revised Statute (LRS) 39:94, no appropriation or deposit to the fund shall be made if such appropriation or deposit would cause the balance in the fund to exceed four percent of total State revenue receipts for the previous fiscal year. There were no expenditures from the fund for fiscal year 2007. Since its inception, deposits have totaled \$923 million and expenditures \$241 million, leaving a balance in the fund of \$682 million at the end of fiscal year 2007.

## RETIREMENT SYSTEM FUNDING

Funded Accrued Liability

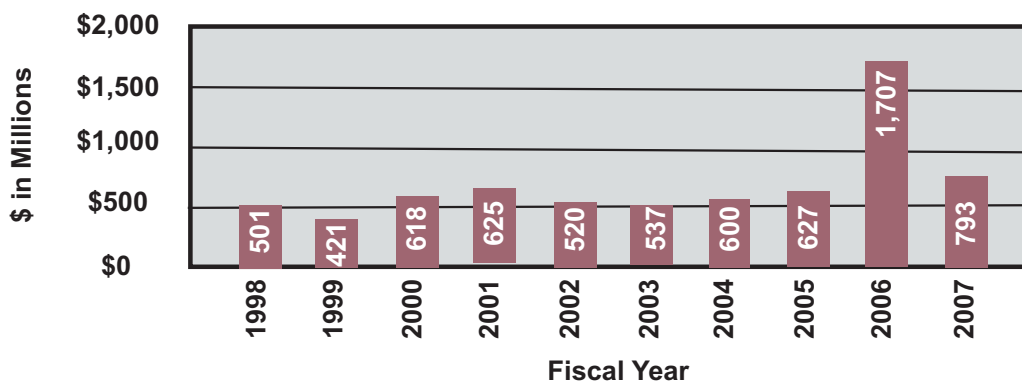


A retirement system's "Unfunded Accrued Liability" (UAL) is the amount expected to be paid in future retiree benefits over and above current resources, while the "Funded Percentage" is the percentage of this liability currently funded. The State's four retirement systems have unfunded accrued liabilities. All four systems' funded percentages increased during this fiscal year. These increases are mainly due to increasing income on investments held by the systems. The accompanying graphs show the trends of the funded percentages of the retirement systems over the past five years.

## TRA

The State of Louisiana operates 13,175 bridges and 60,920 miles of roads and streets. Construction of roads and bridges continues to occur throughout the State through Louisiana's Transportation Infrastructure Model for Economic Development (TIMED) program. This program was established to expand and improve transportation infrastructure across Louisiana. To date, eight of sixteen project segments have been completed and of those eight, five of those project segments were completed ahead of schedule. TIMED includes widening 536 miles of highway, new construction or improvements to three major bridge projects, and improvements to both the Port of New Orleans and Louis Armstrong International Airport. Total infrastructure expenditures for fiscal year 2007 totaled more than \$1 billion. The Twin Span Bridge which sustained serious damage from Hurricane Katrina remains on schedule and the John James Audubon and Huey P. Long Bridges remain on their target schedules to be completed

Highway Projects Approved and Awarded to Contractors

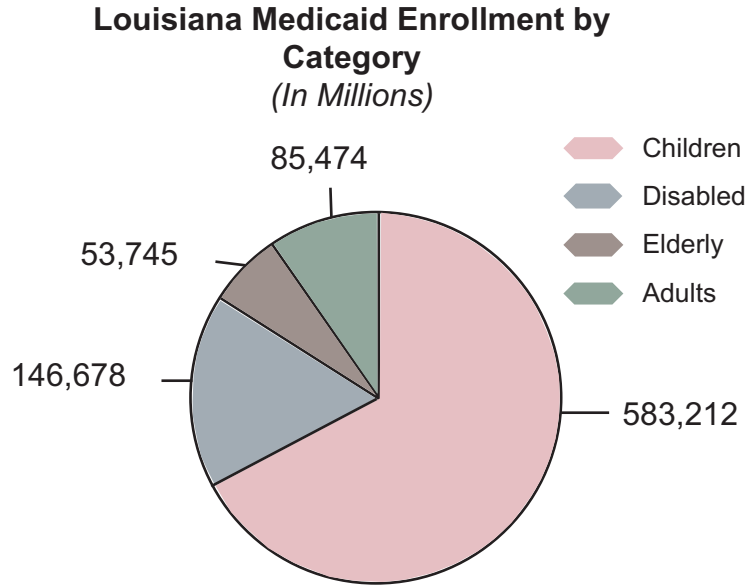


in 2010 and 2013, respectively.

Fiscal year 2007 saw the initiation of \$793 million in new projects and \$724 million is estimated for 2008. The accompanying chart depicts the total dollars approved and awarded to contractors for highway projects for the last ten fiscal years.

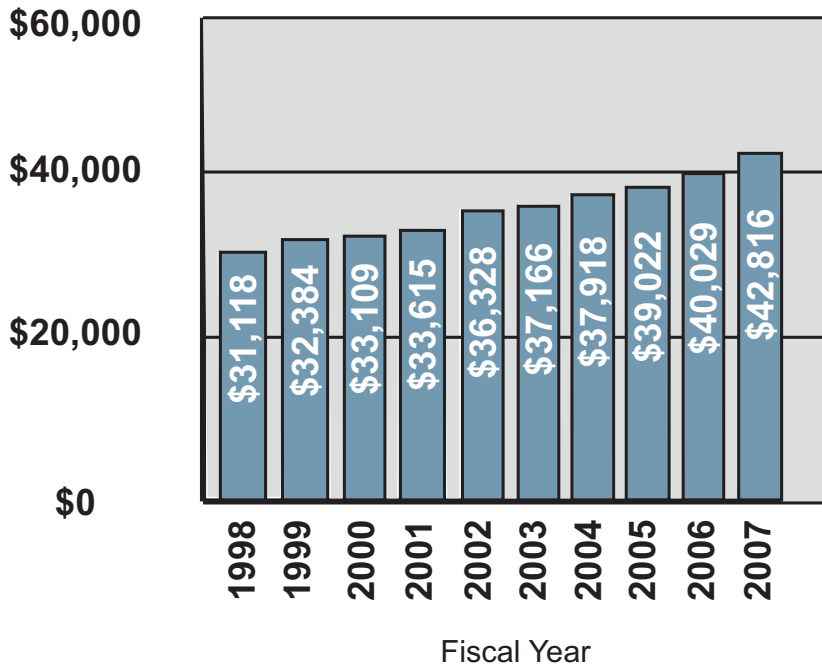
**HEA**

Louisiana is dedicated to providing its citizens with the best social welfare and economic security available. Many programs and services have been established to aid individuals with the need of beneficial resources from the health and welfare system. Louisiana Healthcare, which incurs much of the State's expenses, has made significant improvements in the provisions of health and welfare services to its citizens. The Medicaid program, which is one of the largest health insurance programs in the State, provided \$5.2 billion in medical services during the fiscal year ending June 30, 2007, for almost one million Louisiana citizens. In the past year, children ages 19-35 months receiving immunizations went from 69.9% to 74.9% (a 7% increase) through aggressive outreach. Investing in the health and welfare of the citizens of Louisiana will help rebuild, recover and ignite this State's economic future.



**EDUCA**

**Average Teacher Salaries**



**Improving Teacher Quality**

As the accompanying chart depicts, teacher salaries have increased nearly \$11,700 (38%) for the ten year period from fiscal year 1998 through fiscal year 2007.

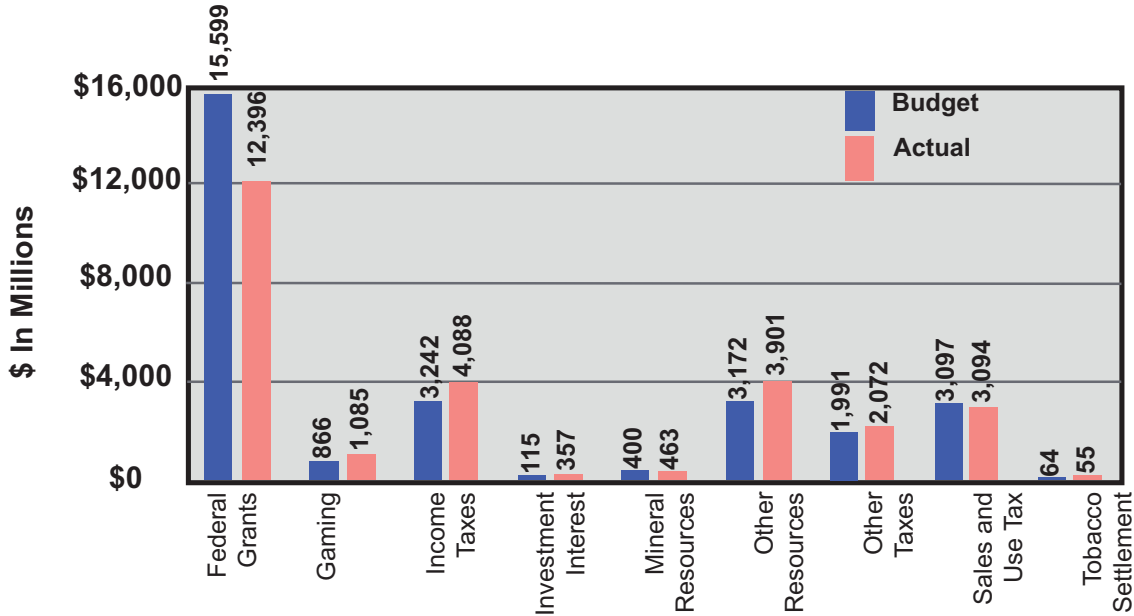
For the school year ending May 2006 (the latest information available) 51.39% of the total expenditures for education in Louisiana is for instruction, 12.44% is for instructional support (pupil support programs, school administration, and instructional staff services), 19.64% is for non-instructional support (student transportation, maintenance, and business services, etc.), 5.19% is for non-instructional services (food operations, etc.), and 11.34% is for facility acquisition, construction and debt services.

## BUDGETARY INFORMATION

### Revenue Budget:

The State of Louisiana is legally required to prepare a balanced annual budget, and all State agencies are required to adhere to the budget during the fiscal year. The revenues are presented by the source of the revenue, mostly from federal grants and various taxes. The accompanying graph depicts the budgeted and actual revenues and illustrates the performance of the State in adhering to the legally adopted revenue budget, which includes the General Fund and other budgeted funds.

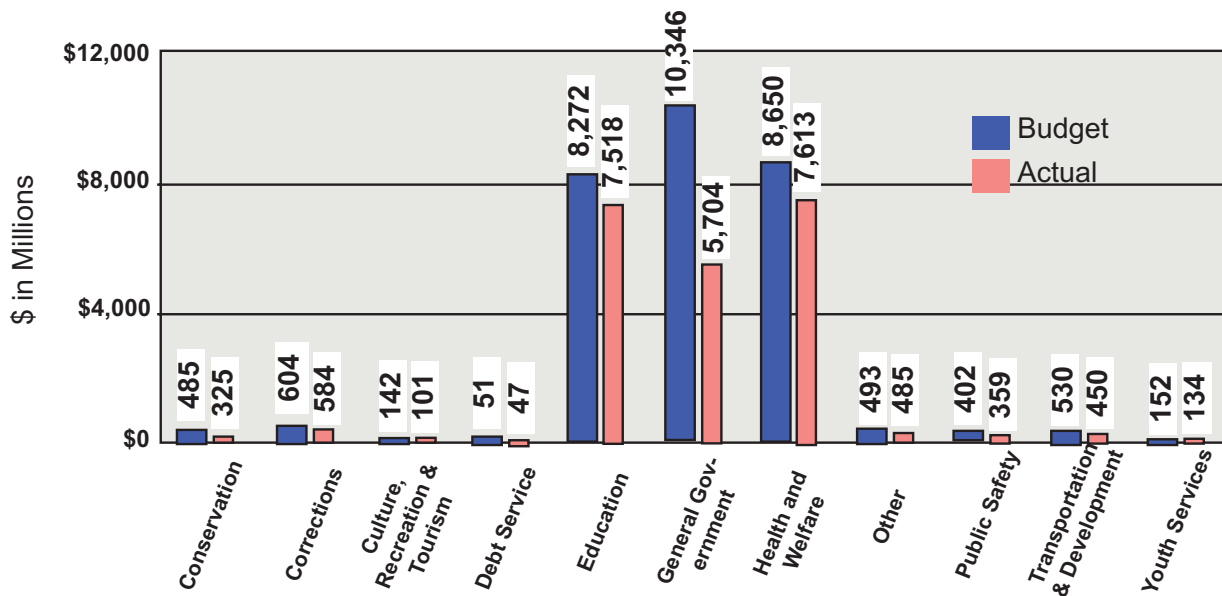
**Revenues - Budget to Actual by Source of Revenue - FY 07**



### Expenditure Budget:

While the revenue graph depicts the revenue budget by sources of revenue, the expenditure graph depicts budgeted and actual expenditures for the General Fund, which is the chief operating fund of the State. The graph below illustrates the budgeted and actual expenditures of the General Fund by function of government. It also illustrates the State's performance in adhering to the legally adopted expenditure budget.

**General Fund Expenditures - Budget to Actual by Function - FY 07**





STATE OF LOUISIANA  
Division of Administration  
Office of Statewide Reporting and Accounting Policy  
P.O. Box 94095  
Baton Rouge, LA 70804-9095

### STA

State of Louisiana	<a href="http://www.louisiana.gov">www.louisiana.gov</a>
Governor's Office	<a href="http://www.gov.state.la.us">www.gov.state.la.us</a>
Division of Administration	<a href="http://www.doa.louisiana.gov/da">www.doa.louisiana.gov/da</a>
Department of Agriculture & Forestry	<a href="http://www.ldaf.state.la.us">www.ldaf.state.la.us</a>
Office of Attorney General	<a href="http://www.ag.state.la.us">www.ag.state.la.us</a>
Department of State Civil Service	<a href="http://www.dscs.state.la.us">www.dscs.state.la.us</a>
Department of Corrections	<a href="http://www.corrections.state.la.us">www.corrections.state.la.us</a>
Department of Culture, Recreation & Tourism	<a href="http://www.crt.state.la.us">www.crt.state.la.us</a>
Department of Economic Development	<a href="http://www.led.louisiana.gov">www.led.louisiana.gov</a>
Department of Education	<a href="http://www.doe.state.la.us">www.doe.state.la.us</a>
Department of Environmental Quality	<a href="http://www.deq.louisiana.gov">www.deq.louisiana.gov</a>
Department of Health & Hospitals	<a href="http://www.dhh.louisiana.gov">www.dhh.louisiana.gov</a>
Department of Insurance	<a href="http://www.lidi.state.la.us">www.lidi.state.la.us</a>
Department of Labor	<a href="http://www.ldol.louisiana.gov">www.ldol.louisiana.gov</a>
Department of Natural Resources	<a href="http://www.dnr.louisiana.gov">www.dnr.louisiana.gov</a>
Department of Public Safety	<a href="http://www.dps.louisiana.gov">www.dps.louisiana.gov</a>
Department of Revenue	<a href="http://www.rev.louisiana.gov">www.rev.louisiana.gov</a>
Department of State (Secretary of State)	<a href="http://www.sos.louisiana.gov">www.sos.louisiana.gov</a>
Department of Social Services	<a href="http://www.ss.state.la.us">www.ss.state.la.us</a>
Department of Transportation & Development	<a href="http://www.dotd.louisiana.gov">www.dotd.louisiana.gov</a>
Department of the Treasury	<a href="http://www.treasury.louisiana.gov">www.treasury.louisiana.gov</a>
Department of Wildlife & Fisheries	<a href="http://www.wlf.state.la.us">www.wlf.state.la.us</a>
Board of Regents for Higher Education	<a href="http://www.regents.state.la.us">www.regents.state.la.us</a>
Louisiana Legislative Auditor	<a href="http://www.lla.state.la.us">www.lla.state.la.us</a>
Louisiana Performance Accountability System	<a href="http://www.doa.state.la.us/opb/lapas/lapas.htm">www.doa.state.la.us/opb/lapas/lapas.htm</a>
Louisiana Public Service Commission	<a href="http://www.lpsc.org">www.lpsc.org</a>
Louisiana State Library	<a href="http://www.state.lib.la.us">www.state.lib.la.us</a>
Louisiana State Legislature	<a href="http://www.legis.state.la.us">www.legis.state.la.us</a>
Louisiana State Museum	<a href="http://lsm.crt.state.la.us">http://lsm.crt.state.la.us</a>
Louisiana State Police	<a href="http://www.lsp.org">www.lsp.org</a>
Louisiana State Employees' Retirement System	<a href="http://www.lasers.state.la.us">www.lasers.state.la.us</a>
Louisiana School Employees' Retirement System	<a href="http://www.lasers.state.la.us">www.lasers.state.la.us</a>
Teachers' Retirement System of Louisiana	<a href="http://www.trsl.org">www.trsl.org</a>