

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Relay Administration Board
State of Louisiana
Baton Rouge, Louisiana

October 22, 2003



Financial and Compliance Audit Division

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Albert J. Robinson, Jr., CPA

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RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Baton Rouge, Louisiana

Basic Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 2002
With Supplemental Financial Information

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

October 22, 2003

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

Basic Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 2002
With Supplemental Financial Information

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OFFICE OF
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October 3, 2003

Independent Auditor's Report
on the Financial Statements

**BOARD OF DIRECTORS OF THE
RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of management of the Relay Administration Board. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Relay Administration Board, as of December 31, 2002, and the changes in its financial position, and its cash flows, for the year then ended, 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 effects 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2003, on our consideration of the Relay Administration Board's internal control over financial reporting and on our tests of its compliance with certain provisions 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 our audit.

LEGISLATIVE AUDITOR

**LOUISIANA RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

Audit Report, December 31, 2002

Management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily 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 that collectively comprise the Relay Administration Board's basic financial statements. The accompanying supplemental financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Grover C. Austin".

Grover C. Austin, CPA
First Assistant Legislative Auditor

SS:WWD:THC:ss

[RAB02]

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

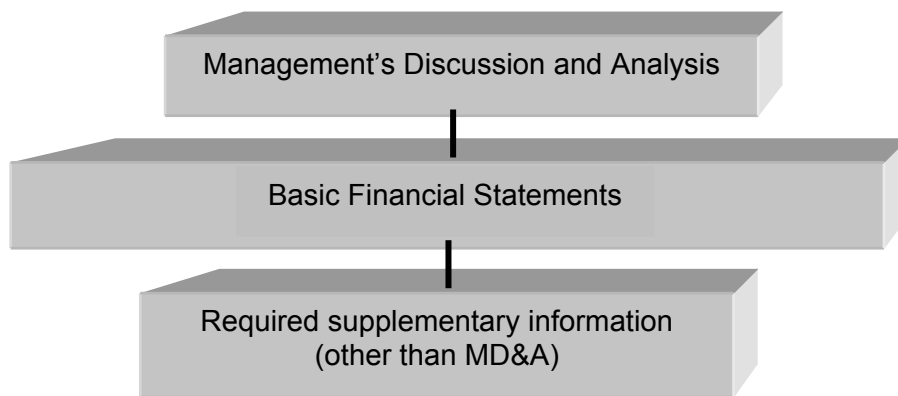
The Management's Discussion and Analysis of the Relay Administration Board's financial performance presents a narrative overview and analysis of the Relay Administration Board's (RAB) financial activities for the year ended December 31, 2002. This document focuses on the current year's activities, resulting 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 2002 by \$28,072,366 which represents a 4.6% decrease in net assets from last fiscal year. Total assets, consisting almost entirely of invested assets, decreased from \$29,890,320 to \$28,295,701 or 5.3%. The mix of those assets changed moderately and includes the impact of sharp declines in the overall stock market. As of December 31, 2002, the investment portfolio was comprised of negotiable certificates of deposits (32%), U.S. Government and Agency bonds (54%), and common stock (14%), while at December 31, 2001, the portfolio was comprised of negotiable certificates of deposits (29%), U. S. Government and Agency bonds (54%), and common stock (17%).

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).

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
 Management's Discussion and Analysis (Continued)

Basic Financial Statements

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 Fund 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 or loss 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, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Total assets	\$28,295,701	\$29,890,320
Total liabilities	<u>223,335</u>	<u>468,888</u>
Total net assets - unrestricted	<u><u>\$28,072,366</u></u>	<u><u>\$29,421,432</u></u>

All of the assets of the RAB are unrestricted as to their specific use, that is, they can be used for any lawful purpose consistent with the by-laws and articles of incorporation. The RAB has no long-term obligations. The total assets at December 31, 2002, are composed of \$843,678 in cash, \$242,211 in accrued interest receivables, \$4,729 in other assets, and \$27,205,083 invested in negotiable certificates of deposits and debt and equity securities. Investment securities are available for liquidity as needed but are intended to provide a return on assets that can be used to supplement access fees collected.

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Management's Discussion and Analysis (Concluded)

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues	\$1,435,958	\$5,424,328
Operating expenses	<u>2,791,131</u>	<u>2,888,961</u>
Operating income (loss)	<u>(1,355,173)</u>	<u>2,535,367</u>
Nonoperating revenues (expenses)	<u>6,107</u>	<u>1,364,366</u>
Change in net assets	<u><u>(\$1,349,066)</u></u>	<u><u>\$3,899,733</u></u>

The Relay Administration Board's total operating revenues decreased by \$3,988,370 or 73.5%. This decrease is attributable to the Louisiana Public Service Commission's decision to eliminate the 11¢ per line access fee charged to consumers effective in April 2002. Nonoperating income decreased by \$1,358,259 or 99.5%, due primarily to declines in the values of equity securities as well as the lower market interest rates on the debt and negotiable certificates of deposit.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay provider. Total operating expenses decreased by 3.4% from the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS AND RATES

As portrayed on page 7 of the financial statements, the Relay Administration Board has accumulated substantial 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 approximately 14 years from December 31, 2002. This determination has 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 2003, the RAB is expected to have no telephone access fee revenue. Subsequently, RAB was notified that it would not receive the \$500,000 annual state funding which was included in determining the estimated 14-year period previously described.

CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors 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 Larry Henning, P.O. Box 3074, Baton Rouge, Louisiana 70821.

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

Statement of Net Assets, December 31, 2002

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$843,678
Investments (note 3)	27,205,083
Accrued investment income	242,211
Other assets	4,729
Total assets	<u>28,295,701</u>

LIABILITIES

Current liabilities - accounts payable	<u>223,335</u>
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NET ASSETS

Unrestricted	<u><u>\$28,072,366</u></u>
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The accompanying notes are an integral part of this statement.

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended December 31, 2002**

OPERATING REVENUES

Telephone access fees (note 4)	\$1,431,399
Miscellaneous income	4,559
Total operating revenues	<u>1,435,958</u>

OPERATING EXPENSES

Relay service costs	2,656,306
Consulting fees	61,735
Legal and professional	59,644
Other operating expenses	13,446
Total operating expenses	<u>2,791,131</u>

OPERATING LOSS

(1,355,173)

NONOPERATING REVENUES

Net investment income (note 3)	<u>6,107</u>
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DECREASE IN NET ASSETS

(1,349,066)

NET ASSETS AT BEGINNING OF YEAR

29,421,432

NET ASSETS AT END OF YEAR

\$28,072,366

The accompanying notes are an integral part of this statement.

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended December 31, 2002**

Cash flows from operating activities:	
Cash received from fees assessed	\$1,896,643
Operating grants received	500,000
Other operating revenues	4,559
Cash paid to suppliers for goods and services	(3,036,684)
Net cash (used) by operating activities	<u>(635,482)</u>
Cash flows from investing activities:	
Purchase of investment securities	(11,548,023)
Proceeds from sale and maturities of investment securities	10,246,604
Interest and dividends on investments	1,226,268
Net cash (used) by investing activities	<u>(75,151)</u>
Net (decrease) in cash	(710,633)
Cash at beginning of year	<u>1,554,311</u>
Cash at end of year	<u><u>\$843,678</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss)	(\$1,355,173)
Adjustments to reconcile operating income to net cash (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in fees receivable	965,244
(Decrease) in accounts payable	<u>(245,553)</u>
Net cash (used) by operating activities	<u><u>(\$635,482)</u></u>
Non Cash Investing, Capital, and Financing Activities	
Net (decrease) in the fair value of investments	(\$1,220,632)

The accompanying notes are an integral part of this statement.

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

INTRODUCTION

The Relay Administration Board was created by the Louisiana Public Service Commission, a commission within a department of the State of Louisiana, 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, insuring 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

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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 capital and related financing activities, noncapital financing activities, or 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.

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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, which are stated at cost, consist of demand deposits in banks and money market funds.

Cash and cash equivalents are carried at cost, which approximates market value. Investment securities are carried at fair value in accordance with GASB Statement No. 31. Unrealized 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 is 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.

2. CASH AND CASH EQUIVALENTS

At December 31, 2002, the board has cash and cash equivalents (book balances) totaling \$843,678, which are held by a brokerage firm. At December 31, 2002, the board has \$855,034 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of Securities Investor Protection Corporation (SIPC), while the remaining balance of \$755,034 is secured by excess SIPC insurance coverage obtained from an insurance company (GASB Risk Category 1).

3. INVESTMENTS

Investments of \$27,205,079, as presented on Statement A, are carried at their estimated fair values as determined by published trade prices. Investments at December 31, 2002, consist of the following:

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	<u>Fair Value</u>
Common stock	\$3,696,664
Negotiable certificates of deposits	8,726,865
U.S. government and agency securities	14,767,395
Collateralized mortgage obligations	<u>14,155</u>
Total	<u><u>\$27,205,079</u></u>

The investment securities are in the custody of a brokerage firm that is a member of the SIPC and, as such, they are secured from risk up to \$500,000. The remaining balance is secured by excess SIPC insurance coverage obtained from an insurance company (GASB Risk Category 1).

Components of net investment income, as presented on Statement B, are as follows for the year ended December 31, 2002:

Interest earnings	\$1,143,167
Dividends on common stock	83,572
Net decrease in the fair value of investments	<u>(1,220,632)</u>
Net investment income	<u><u>\$6,107</u></u>

4. FUNDING SOURCES

In conjunction with Act 660 of the 1988 Regular Legislative Session of the State of Louisiana, 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 discussed further in note 7, the Relay Administration Board was receiving a yearly grant from the State of Louisiana Department of Social Services to provide telephone relay services throughout the State of Louisiana to facilitate telecommunications between individuals with a hearing or speech disability and other members of the community. However, for the year ended December 31, 2002, the grant was not renewed. As a result, the board's operations are now being funded from existing assets and earnings generated there from.

5. BOARD MEMBER COMPENSATION

Although compensation to board members is authorized by the Relay Administration Board's by-laws, no compensation was paid to members during 2002.

RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

6. LITIGATION

There is no pending litigation against the Relay Administration Board at December 31, 2002.

7. SUBSEQUENT EVENTS

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 has satisfied the support test through the collection of a grant from the Department of Social Services, Rehabilitation Services. However, for the year ending December 31, 2003, the Relay Administration Board does not anticipate receiving any such grants. Therefore, the Relay Administration Board could potentially lose its status as a publicly supported organization. The Relay Administration Board is considering alternative organizational structures to avoid any tax liability. However, the Relay Administration Board will not make a final decision until the attorney general has issued an opinion regarding the Relay Administration Board's authority.

**RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA
OTHER SUPPLEMENTAL INFORMATION
As of and for the Year Ended December 31, 2002**

**ANNUAL FISCAL REPORT TO THE OFFICE OF
THE GOVERNOR, DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

The following supplemental information presents the financial position of the Relay Administration Board as of December 31, 2002, 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, 2002

C O N T E N T S

AFFIDAVIT

Statements

MD&A

Statement of Net Assets	A
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B
Statement of Activities	C
Statement of Cash Flows	D

Notes to the Financial Statements

A.	Summary of Significant Accounting Policies	1
B.	Budgetary Accounting	N/A
C.	Deposits with Financial Institutions and Investments	2
D.	Capital Assets	N/A
E.	Inventories	N/A
F.	Restricted Assets	N/A
G.	Leave	N/A
H.	Retirement System	N/A
I.	Post Retirement Health Care and Life Insurance Benefits	N/A
J.	Leases	N/A
K.	Long-Term Liabilities	N/A
L.	Litigation	N/A
M.	Related Party Transactions	N/A
N.	Accounting Changes	N/A
O.	In-Kind Contributions	N/A
P.	Defeased Issues	N/A
Q.	Cooperative Endeavors	N/A
R.	Government-Mandated Nonexchange Transactions (Grants)	14
S.	Violations of Finance-Related Legal or Contractual Provisions	N/A
T.	Short-Term Debt	N/A
U.	Disaggregation of Receivable Balances	N/A
V.	Disaggregation of Payable Balances	15
W.	Subsequent Events	N/A
X.	Segment Information	N/A
Y.	Due to/Due from and Transfers	N/A
Z.	Liabilities Payable from Restricted Assets	N/A
AA.	Prior-Year Restatement of Net Assets	N/A

Schedules

1	Schedule of Per Diem Paid Board Members	N/A
2	Schedule of State Funding	N/A
3	Schedules of Long-Term Debt	N/A
4	Schedules of Long-Term Debt Amortization	N/A

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending December 31, 2002

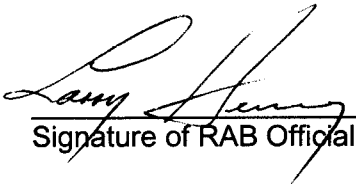
RELAY ADMINISTRATION BOARD

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

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mr. Larry Henning (Name) Treasurer (Title) of the Relay Administration Board (RAB) who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of (agency) at December 31, 2002 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 3rd day of October, 2003.


Signature of RAB Official


NOTARY PUBLIC

Prepared by: Larry Henning

Title: Secretary-Treasurer

Telephone No.: 225-927-1377

Date: October 3, 2003

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2002

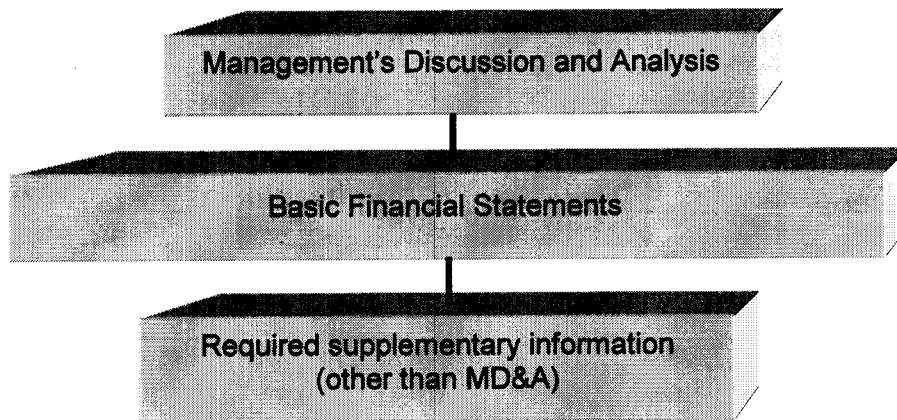
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The RAB's assets exceeded its liabilities (net assets) at the close of fiscal year 2002 by \$28,072,366 which represents a 4.6% decrease in net assets from last fiscal year. Total assets, consisting almost entirely of invested assets decreased from \$29,890,320 to \$28,295,701 or 5.3%. The mix of those assets changed moderately, and includes the impact of sharp declines in the overall stock market. As of December 31, 2002, the investment portfolio was comprised of negotiable certificates of deposits (32%), U. S. Government and Agency bonds (54%), and common stock (14%) while at December 31, 2001, the portfolio was comprised of negotiable certificates of deposits (29%), U. S. Government and Agency bonds (54%) and common stock (17%).

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).

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2002

Basic Financial Statements

The Statement of Net Assets (page 4) 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 5) 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 Flow (page 6) presents information showing how the RAB's cash changes as a result of current year operations. The statement of cash flow is prepared using the direct method and includes the reconciliation of operating income or loss 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, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Total assets	\$ 28,295,701	\$ 29,890,320
Total liabilities	<u>223,335</u>	<u>468,888</u>
Total net assets	<u>\$ 28,072,366</u>	<u>\$ 29,421,432</u>

All of the assets of the RAB are unrestricted as to their specific use, that is, they can be used for any lawful purpose consistent with the by-laws and articles of incorporation. The RAB has no long-term obligations. The total assets at December 31, 2002, were composed of \$843,678 in cash, \$242,211 in accrued interest receivables, \$4,729 in other assets, and \$27,205,083 invested in negotiable certificates of deposits and debt and equity securities. Investment securities are available for liquidity as needed, but are intended to provide a return on assets that can be used to supplement access fees collected.

RELAY ADMINISTRATION BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2002

Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues	\$ 1,435,958	\$ 5,424,328
Operating expenses	<u>2,791,131</u>	<u>2,888,961</u>
Operating income (loss)	<u>(1,355,173)</u>	<u>2,535,367</u>
Non-operating revenues (expenses)	<u>6,107</u>	<u>1,364,366</u>
Change in net assets	<u>\$ (1,349,066)</u>	<u>\$ 3,899,733</u>

The Relay Administration Board's total operating revenues decreased by \$3,988,370 or 73.5%. This decrease is attributable to the Louisiana Public Service Commission's decision to eliminate the 11¢ per line access fee charged to consumers effective in April 2002. Non-operating income decreased by \$1,358,259 or 99.5%, due primarily to declines in the values of equity securities as well as the lower market interest rates on the debt and negotiable certificates of deposit. Operating expenses decreased by 3.4% from the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS AND RATES

As portrayed on page 4 of the financial statements, the Relay Administration Board has accumulated substantial 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 approximately 14 years from December 31, 2002. This determination has 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 2003, the RAB is expected to have no telephone access fee revenue. Subsequently, RAB was notified that RAB would not receive the \$500,000 annual State funding which was included in determining the estimated 14 year period previously described.

CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors 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 Larry Henning, P.O. Box 3074, Baton Rouge, Louisiana 70821.

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 STATEMENT OF NET ASSETS
 AS OF DECEMBER 31, 2002**

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note C1)	\$	<u>843,678</u>
Investments (Note C2)		<u>27,205,083</u>
Receivables (net of allowance for doubtful accounts)(Note U)		<u>242,211</u>
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Other current assets		<u>4,729</u>
Total current assets		<u>28,295,701</u>

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		
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>0</u>
Total assets	\$	<u>28,295,701</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	<u>223,335</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		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		<u>223,335</u>

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		<u>0</u>
Total liabilities		<u>223,335</u>

NET ASSETS

Invested in capital assets, net of related debt		
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		
Unrestricted		<u>28,072,366</u>
Total net assets		<u>28,072,366</u>
Total liabilities and net assets	\$	<u>28,295,701</u>

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

Statement A

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD (BTA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002**

OPERATING REVENUES	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	1,431,399
Other	4,559
Total operating revenues	<u>1,435,958</u>
OPERATING EXPENSES	
Cost of sales and services	2,656,306
Administrative	134,825
Depreciation	_____
Amortization	_____
Total operating expenses	<u>2,791,131</u>
Operating income(loss)	<u>(1,355,173)</u>
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	6,107
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other	_____
Total non-operating revenues(expenses)	<u>6,107</u>
Income(loss) before contributions and transfers	<u>(1,349,066)</u>
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	<u>(1,349,066)</u>
Total net assets – beginning as restated	<u>29,421,432</u>
Total net assets – ending	<u>\$ 28,072,366</u>

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

Statement B

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Program Revenues</u>			Net (Expense)	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Assets
Component Unit:					
Relay Administration	\$ 2,791,131	\$ 1,435,958	\$ 0	\$ 0	\$ (1,355,173)
General revenues:					
Taxes					<u> </u>
State appropriations					<u> </u>
Grants and contributions not restricted to specific programs					<u> </u>
Interest					<u> 6,107</u>
Miscellaneous					<u> </u>
Special items					<u> </u>
Transfers					<u> </u>
Total general revenues, special items, and transfers					<u> 6,107</u>
Change in net assets					<u> (1,349,066)</u>
Net assets - beginning					<u> 29,421,432</u>
Net assets - ending					<u><u> \$ 28,072,366</u></u>

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD (BTA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,2002**

Cash flows from operating activities

Cash received from customers	\$	<u>1,896,643</u>	
Cash payments to suppliers for goods and services		<u>(3,036,684)</u>	
Cash payments to employees for services			
Payments in lieu of taxes			
Internal activity-payments to other funds			
Claims paid to outsiders			
Operating grants received		<u>500,000</u>	
Other operating revenues(expenses)		<u>4,559</u>	
Net cash provided(used) by operating activities			<u>(635,482)</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			
Other			
Transfers in			
Transfers out			
Net cash provided(used) by non-capital financing activities			<u>0</u>

Cash flows from capital and related financing

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>0</u>

Cash flows from investing activities

Purchases of investment securities		<u>(11,548,023)</u>	
Proceeds from sale of investment securities		<u>10,246,604</u>	
Interest and dividends earned on investment securities		<u>1,226,268</u>	
Net cash provided(used) by investing activities			<u>(75,151)</u>

Net increase(decrease) in cash and cash equivalents (710,633)

Cash and cash equivalents at beginning of year 1,554,311

Cash and cash equivalents at end of year \$ 843,678

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD (BTA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002**

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

Operating income(loss)		\$ <u>(1,355,173)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	_____	
Provision for uncollectible accounts	_____	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable	<u>965,244</u>	
(Increase)decrease in due from other funds	_____	
(Increase)decrease in prepayments	_____	
(Increase)decrease in inventories	_____	
(Increase)decrease in other assets	_____	
Increase(decrease) in accounts payable	<u>(245,553)</u>	
Increase(decrease) in accrued payroll and related benefits	_____	
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>(635,482)</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 decrease in the fair value of investments	<u>(1,220,632)</u>
<hr/>	
Total noncash investing, capital, and financing activities:	<u><u>(1,220,632)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

INTRODUCTION

The Relay Administration Board (referred to as "RAB") was created by the Louisiana Public Service Commission 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. RAB is charged with the responsibility of oversight of telephone relay services for the State of Louisiana, insuring 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.

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 Relay Administration Board (RAB) present information only as to the transactions of the programs of the RAB 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 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.

B. BUDGETARY ACCOUNTING

The board does not adopt a budget.

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the RAB (BTA) may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions. **The applicability of this law to the RAB has not been conclusively determined.**

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these 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. **However, the applicability of this law to the RAB has not been conclusively determined.** These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at December 31, 2002, were secured as follows:

	Deposits in bank accounts			
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ <u>843,678</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>843,678</u>
Bank balances:				
1. Insured or collateralized with securities held by the entity or its agency <u>in the entity's name</u>	<u>855,034</u>	<u>0</u>	<u>0</u>	<u>855,034</u>
2. Collateralized with securities held by the pledging institution's trust department or agent <u>in the entity's name</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3. Uncollateralized, including any securities held for the entity <u>but not in the entity's name</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total bank balances	\$ <u>855,034</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>855,034</u>

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>Merril Lynch</u>	<u>Demand Deposits</u>	\$ <u>855,034</u>
2. _____	_____	_____
Total		\$ <u>855,034</u>

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

Were uncollateralized securities fitting the description in (3) above during the year significantly greater than at December 31, 2002? **N/A** If yes, attach a statement listing the amount(s) and a reason for this occurrence.

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included in the balance sheet.

Cash in State Treasury	\$	<u>N/A</u>
Petty cash	\$	<u>N/A</u>

2. INVESTMENTS

Upon implementation of GASB Statement 31, reported amount and fair value will often be the same number.

The RAB maintains investment accounts as authorized by the by-laws and its internal investment policy.

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk.

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Certain types of investments cannot appropriately be categorized. These are to be listed separately at the end of the schedule in the space provided.

<u>Type of Investment</u>	<u>Category of Risk</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase agreements	\$	\$	\$	\$ 0	\$
U.S. Government securities	<u>14,767,397</u>			<u>14,767,397</u>	<u>14,767,397</u>
Common & preferred stock	<u>3,696,666</u>			<u>3,696,666</u>	<u>3,696,666</u>
Commercial paper				<u>0</u>	
Corporate bonds				<u>0</u>	
Other: (identify)				<u>0</u>	
Negotiable certificates of deposit	<u>8,726,865</u>			<u>8,726,865</u>	<u>8,726,865</u>
Collateralized mortgage obligation	<u>14,155</u>			<u>14,155</u>	<u>14,155</u>
				<u>0</u>	
Total categorized investments	\$ <u>27,205,083</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>27,205,083</u>	\$ <u>27,205,083</u>
<u>Investments not categorized: (list separately)</u>					

Total investments				\$ <u>27,205,083</u>	\$ <u>27,205,083</u>

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

3. Other Disclosures Required for Investments

- a. Investments in pools managed by other governments or mutual funds _____ None _____
- b. Securities underlying reverse repurchase agreements _____ None _____
- c. Unrealized investment losses _____ (\$723,874) _____
- d. Commitments as of _____ (fiscal close), to resell securities under yield maintenance repurchase agreements:
1. Carrying amount and market value at December 31 of securities to be resold _____
 2. Description of the terms of the agreement _____
- e. Investment types owned during the year but not owned as of June 30 _____ None _____
- f. Losses during the year due to default by counterparties to deposit or investment transactions _____ None _____
- g. Amounts recovered from prior-period losses which are not shown separately on the balance sheet _____ None _____

Legal or Contractual Provisions for Reverse Repurchase Agreements **None**

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

Reverse Repurchase Agreements as of the Balance Sheet Date **None**

- j. Credit risk related to the reverse repurchase 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 _____
- k. Commitments on _____ (fiscal close), to repurchase securities under yield maintenance agreements _____
- l. Market value on _____ (fiscal close), of the securities to be repurchased _____
- m. Description of the terms of the agreements to repurchase _____
- n. Losses recognized during the year due to default by counterparties to reverse repurchase agreements _____

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

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

Fair Value Disclosures

- p. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices _____ N/A _____
- q. Basis for determining which investments, if any, are reported at amortized cost _____ N/A _____
- r. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool _____ N/A _____
- s. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares _____ N/A _____
- t. Any involuntary participation in an external investment pool _____ N/A _____
- u. Whether 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 that fair value and the reasons for having had to make such an estimate _____ N/A _____
- v. Any income from investments associated with one fund that is assigned to another fund _____ N/A _____

D. CAPITAL ASSETS

The board has no capital assets at December 31, 2002.

E. INVENTORIES

The board has no inventory at December 31, 2002.

F. RESTRICTED ASSETS

The board has no restricted assets at December 31, 2002.

G. LEAVE

The board has no employees at December 31, 2002.

H. RETIREMENT SYSTEM

The board has no employees at December 31, 2002.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The board has no employees at December 31, 2002.

**STATE OF LOUISIANA
 RELAY ADMINISTRATION (BTA)
 Notes to the Financial Statement
 As of and for the year ended December 31, 2002**

J. LEASES

The board has no leases at December 31, 2002.

K. LONG-TERM LIABILITIES

The board has no long-term liabilities at December 31, 2002.

L. LITIGATION

There is no pending litigation against the board at December 31, 2002.

M. RELATED PARTY TRANSACTIONS

The board was not involved in any related party transactions for the year ended December 31, 2002.

N. ACCOUNTING CHANGES

The board has not made any accounting changes for the year ended December 31, 2002.

O. IN-KIND CONTRIBUTIONS

The board has no in-kind contributions at December 31, 2002.

P. DEFEASED ISSUES

The board has no defeased issues at December 31, 2002.

Q. COOPERATIVE ENDEAVORS

The board has no cooperative endeavors at December 31, 2002.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2001-2002:

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Match Percentage</u>	<u>Total Amount of Grant</u>
_____	Telephone Relay Service	100%	\$ 500,000
_____	Louisiana Commission for the Deaf	_____	_____
_____	Amount accrued in prior year and received in current year	_____	_____
Total government-mandated nonexchange transactions (grants)			\$ 500,000

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

The board had no violations of finance related legal or contractual provisions for the year ended December 31, 2002.

T. SHORT-TERM DEBT

The board has no short-term debt at December 31, 2002.

**STATE OF LOUISIANA
RELAY ADMINISTRATION (BTA)
Notes to the Financial Statement
As of and for the year ended December 31, 2002**

U. DISAGGREGATION OF RECEIVABLE BALANCES

The board has no receivables at December 31, 2002.

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at December 31, 2002, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
Telephone Relay Services	\$ 223,335	\$	\$	\$	\$ 223,335
					0
Total payables	\$ 223,335	\$ 0	\$ 0	\$ 0	\$ 223,335

W. SUBSEQUENT EVENTS

The Relay Administration Board is currently considered to be a publicly supported organization and not as 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 has satisfied the support test through the collection of a grant from the Department of Social Services, Rehabilitation Services. However, for the year ending December 31, 2003, the Relay Administration Board does not anticipate receiving any such grants. Therefore, the Relay Administration Board could potentially lose its status as a publicly supported organization. The Relay Administration Board is considering alternative organizational structures to avoid any tax liability. However, the Relay Administration Board will not make a final decision until the Attorney General has issued an opinion regarding the Relay Administration Board's authority.

X. SEGMENT INFORMATION

The board has no segments at December 31, 2002.

Y. DUE TO/DUE FROM AND TRANSFERS

The board has no due to/from or transfers at December 31, 2002.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The board has no liabilities from restricted assets at December 31, 2002.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The board made no adjustments to restate beginning net assets.

**STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD (BTA)
SCHEDULE OF STATE FUNDING
For the Year Ended December 31, 2002**

<u>Description of Funding</u>	<u>Amount</u>
1. _____	\$ None
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u><u>0</u></u>

SCHEDULE 2

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 SCHEDULE OF NOTES PAYABLE
 December 31, 2002**

Not Applicable

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

*Send copies of new amortization schedules

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
 For The Year Ended December 31, 2002**

Not Applicable

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2003	\$ _____	\$ _____
2004	_____	_____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008-2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
 Total	 \$ _____ --	 \$ _____ --

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 SCHEDULE OF CAPITAL LEASE AMORTIZATION
 For The Year Ended December 31, 2002**

Not Applicable

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	Balance
2003	\$ _____	\$ _____	\$ _____	\$ _____ --
2004	_____	_____	_____	_____ --
2005	_____	_____	_____	_____ --
2006	_____	_____	_____	_____ --
2007	_____	_____	_____	_____ --
2008-2012	_____	_____	_____	_____ --
2013-2017	_____	_____	_____	_____ --
2018-2022	_____	_____	_____	_____ --
2023-2027	_____	_____	_____	_____ --
 Total	 \$ _____ --	 \$ _____ --	 _____ --	 _____ --

**STATE OF LOUISIANA
 RELAY ADMINISTRATION BOARD (BTA)
 SCHEDULE OF NOTES PAYABLE AMORTIZATION
 For The Year Ended December 31, 2002**

Not Applicable

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2003	\$ _____	\$ _____
2004	_____	_____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008-2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
 Total	 \$ _____ -- =====	 \$ _____ -- =====

STATE OF LOUISIANA
RELAY ADMINISTRATION BOARD(BTA)
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended December 31, 2002

Not Applicable

Fiscal Year <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ _____	\$ _____
2004	_____	_____
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008-2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
 Total	 \$ _____ --	 \$ _____ --

SCHEDULE 4-D

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.



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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 3, 2003

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards*

**BOARD OF DIRECTORS OF THE
RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the financial statements of the Relay Administration Board, a component unit of the State of Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated October 3, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Relay Administration Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Unauthorized Taxes Collected

The Relay Administration Board (RAB) charged and collected a tax without proper legal authority. In the Louisiana Public Service Commission (LPSC) Order No. U-17656-B, the LPSC authorized the RAB to collect a tax of \$0.11 per access line to fund a telephone relay service to be administered by the RAB. During the past 10 years, the RAB has accumulated approximately \$28,000,000 in unauthorized taxes paid by Louisiana residents. In April 2002, the RAB ceased collecting the tax. The power to tax is specifically reserved to the legislature except as otherwise provided by the state constitution [Const. Art. VII § 1(A)]. There is no constitutional provision allowing the LPSC to tax. In the absence of specific legal authority, the LPSC may not legally approve or impose a tax.

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Compliance and Internal Control Report

October 3, 2003

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The RAB should obtain specific legal authority for those taxes currently lacking proper legal authority. In addition, the RAB should consult with the Louisiana Attorney General to determine the appropriate course of action regarding unauthorized taxes that have been collected. Management did not concur with the finding and recommendations (see Appendix A).

Additional Comments: On May 19, 2003, the Office of the Legislative Auditor requested an opinion from the Louisiana Attorney General that, once issued, will either support the position of the auditor or the position of management.

Noncompliance With State Laws and Regulations

The RAB did not comply with all applicable state laws and regulations governing the deposit 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 LPSC created the RAB, the RAB is an extension of LPSC and is subject to laws and regulations affecting state agencies.

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

Cash

- The RAB did not obtain written approval of the Cash Management Review Board before opening its six bank accounts. Louisiana Revised Statute (R.S.) 39:372(A)(1) requires all banking and checking accounts opened by state agencies to have written approval of the Cash Management Review Board.

Investments

- The RAB invested \$14,767,395 in government securities; \$8,726,865 in negotiable certificates of deposit; \$3,696,664 in common stock; and \$14,155 in corporate bonds, which did not comply with state law. R.S. 49:327(C)(1)(a) authorizes state boards 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.

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Contracts

- The RAB entered into a contract for legal services without approval from the attorney general and the Office of Contractual Review. R.S. 49:258 requires any appointment of private legal counsel to be made by the attorney general with the concurrence of the commissioner of administration. In addition, R.S. 39:1482 and R.S. 39:1497 require contracts for professional services to be approved by the Office of Contractual Review.
- The RAB entered into a professional services contract to provide statewide telecommunications relay service without approval from the Office of Contractual Review. R.S. 39:1482 and R.S. 39:1497 require contracts for professional services to be approved by the Office of Contractual Review.
- As a result of not receiving approval from the Office of Contractual Review, the aforementioned contracts and a contract for accounting services did not contain the minimum contract content, as required by the Office of Contractual Review, such as (1) a maximum amount of the contract and schedule of payments to be made; (2) a statement giving the legislative auditor and the Division of Administration auditors the authority to audit records of the individual or firm; and (3) a date upon which the contract is to begin and upon which it will terminate.

Record Retention

- The RAB failed to submit a document retention schedule to State Archives as required by state law. R.S. 44:411(A)(1) requires the head of agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency.

Funds Not Deposited Into the State Treasury

- The RAB failed to deposit its self-generated revenues 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.

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Funds Not Appropriated

- . 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.

Management should identify all applicable state laws and regulations relating to the management and use of its funds and develop policies and procedures to ensure compliance with those laws and regulations. Management 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. Management did not concur with the finding and recommendations (see Appendix A).

Additional Comments: On May 19, 2003, the Office of the Legislative Auditor requested an opinion from the Louisiana Attorney General that, once issued, will either support the position of the auditor or the position of management.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Relay Administration Board's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

LEGISLATIVE AUDITOR

**LOUISIANA RELAY ADMINISTRATION BOARD
STATE OF LOUISIANA**

Compliance and Internal Control Report

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This report is intended solely for the information and use of the Relay Administration Board and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

SS:WDD:THC:ss

[RAB02]

Appendix A

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

LOUISIANA RELAY ADMINISTRATION BOARD

October 3, 2003

VIA HAND DELIVERY AND FAX 225-339-3870

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor, State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Ref: RAB Audit.

Dear Mr. Austin:

This letter is in response to Mr. Wayne DeLeo's correspondence of September 10, 2003 which discusses proposed "reportable audit findings" for the Louisiana Relay Administration Board (the "RAB").

Please note that, overall, the RAB does not concur in the proposed findings. During the course of the audit, significant issues have arisen 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 Louisiana Legislative Auditor (the "OLA"). Please see attached as *Exhibit 1* Request for Opinion from the OLA to the Louisiana Attorney General dated May 19, 2003. Also attached as *Exhibit 2* is the Response of the LPSC dated August 22, 2003 to the OLA Request for Opinion. Moreover, as discussed more further herein, some of the OLA's proposed findings are directly refuted by AG Opinion 03-0081. Please see AG Opinion No. 03-001 dated May 15, 2003 attached hereto as *Exhibit 3*. As a result, The Relay Administration Board 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 or should be taken by the RAB at this time.

For ten years, the RAB has been in operation, been audited on an annual basis and has furnished such annual audits to the Division of Administration and to the OLA. However, it is the RAB's understanding that no governmental agency has asserted that the RAB may be a "state agency" or "public entity" until last year. Attached as *Exhibit 4* is a letter from the Division of Administration ("DOA") to the LPSC dated May 10, 2002 where the 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 RAB has complied with all requirements for financial reporting purposes since being made aware of the DOA's "reevaluation" of the RAB. Also attached as *Exhibit 5* is a letter from the OLA to the RAB dated January 8, 2003 where the OLA informs 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 did not decide that the RAB was a “state agency” or “public entity” until sometime in 2002 or early 2003. Consequently, in view of the ten years of prior inactivity by the Division of Administration and the OLA with respect to these issues, the RAB reserves the right to supplement this response to the proposed findings. However, it is important to note that we do believe that the RAB has been operated in accordance with all laws and regulations applicable to the operations and administration of the RAB. Attached hereto as *Exhibit 6* are the LPSC Orders which created the RAB and directed its operations and scope of authority to oversee the Louisiana Relay System (U-17656, U-17656-A, U-17656-B, U-17656-C).

CASH

The RAB does not concur with this proposed finding. 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” are 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 Louisiana Attorney General in his Opinion No. 03-0081 at page 3, (Copy attached hereto) 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 telecommunications relay services (“TRS”). The Attorney General 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, which was collected by the LPSC and turned over by the LPSC to the RAB’s Merrill Lynch account, was likewise dedicated solely to the provision of the TRS. The Louisiana Attorney General 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 the 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 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 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 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.

INVESTMENTS

The RAB does not concur with this proposed finding. 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 cited statute is inapplicable to those funds.

CONTRACTS

Contract for Legal Services: The RAB does not concur with this proposed finding. This proposed finding appears grounded on an assumption that the RAB was or is a “state agency” for purposes of La. R.S. 49:258. The term “state agency” is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB is a “state agency” for purposes of La. R.S. 49:258. Hence, the cited statute is inapplicable to the RAB’s retention of legal counsel. Furthermore, the overall thrust of the Office of Legislative Auditor has been to ascribe to the RAB the status of a “state agency” because of its relationship to, and operation under the auspices of, the Louisiana Public Service Commission; however, the term “state agency” for purposes of La. R.S. 49:258 expressly excludes the LPSC. La. R.S. 49:258(3). The applicability of La. R.S. 39:1482 depends on whether the RAB is part of the “executive branch of this state.” The term “executive branch of this state” is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB was or is the “executive branch of this state” for purposes of La. R.S. 39:1482. The applicability of La. R.S. 39:1497 depends on whether the RAB is a “governmental body of this state.” The term “governmental body of this state” is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB was or is a “governmental body of this state” for purposes of La. R.S. 39:1497.

Contract for Statewide Telecommunications Relay Service: The RAB does not concur with this proposed finding. The applicability of La. R.S. 39:1482 depends on whether the RAB is part of the “executive branch of this state.” The term “executive branch of this state” is not actually defined in that statute. No authoritative tribunal or body has made a binding determination that the RAB was or is the “executive branch of this state” for purposes of La. R.S. 39:1482. The applicability of La. R.S. 39:1497 depends on whether the RAB is a “governmental body of this state.” The term “governmental body of this state” is not actually defined in that

statute. No authoritative tribunal or body has made a binding determination that the RAB was or is a "governmental body of this state" for purposes of La. R.S. 39:1497.

Minimum Contract Content: The RAB does not concur with this proposed finding for the reasons expressed in the two preceding paragraphs.

RECORD RETENTION

The RAB does not concur with this proposed finding. The applicability of La. R.S. 44:411(A)(1) depends on whether the RAB is an "agency" as purportedly defined in La. R.S. 44:402(5). No authoritative tribunal or body has made a binding determination that the RAB was or is an "agency" for purposes of La. R.S. 44:411(A)(1). Moreover, the circumstances of the RAB's creation or establishment may further remove it from the purported definition of "agency" found in La. R.S. 44:402(5).

FUNDS NOT DEPOSITED INTO THE STATE TREASURY

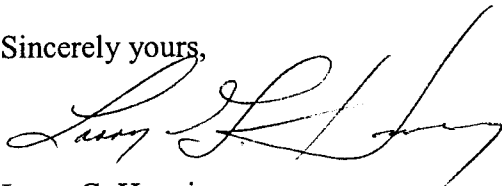
The RAB does not concur with this proposed finding. The proposed finding assumes that the RAB "generated" revenues *per se*. However, as noted above, for the provision of TRS, the RAB (1) accepted grants, donations or other forms of assistance, pursuant to certain contractual requirements, from the LCD 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 Merrill Lynch. 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" are 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 Louisiana Attorney General 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 telecommunications relay services ("TRS"). The Attorney General 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 Merrill Lynch account, was likewise dedicated solely to the provision of the TRS. The Louisiana Attorney General 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 the 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.

FUNDS NOT APPROPRIATED

The RAB does not concur with this proposed finding. 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 ignores the fact that use of the funds cannot be used for any purpose other than the provision of 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,



Larry G. Henning
Secretary-Treasurer
Louisiana Relay Administration Board