

RELAY ADMINISTRATION BOARD  
STATE OF LOUISIANA



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FINANCIAL STATEMENT AUDIT  
ISSUED AUGUST 17, 2005

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**LEGISLATIVE AUDITOR  
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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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Three copies of this public document were produced at an approximate cost of \$14.04. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.lla.state.la.us](http://www.lla.state.la.us). When contacting the office, you may refer to Agency ID No. 5743 or Report ID No. 05501002 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

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STEVE J. THERIOT, CPA  
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July 15, 2005

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, 2004, 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, 2004, 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 in Exhibit A of this report, the board has not complied with certain applicable state laws and regulations. While at the current time the effect of the noncompliance on the financial statements and other supplemental information is not deemed material, the noncompliance does not conform to public policy and also circumvents state oversight.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2005, 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, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

## RELAY ADMINISTRATION BOARD


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provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 8 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,



Steve J. Theriot, CPA  
Legislative Auditor

RR:WWD:THC:dl

RAB04

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Relay Administration Board's (RAB) financial performance presents a narrative overview and analysis of the RAB's financial activities for the year ended December 31, 2004. 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 9.

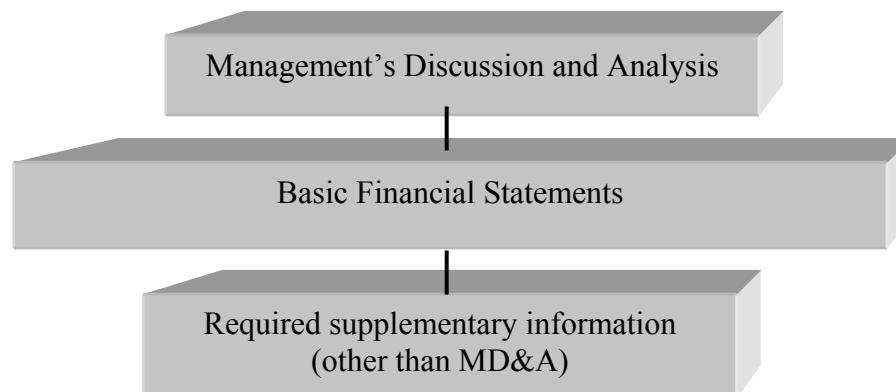
### FINANCIAL HIGHLIGHTS

The RAB's assets exceeded its liabilities (net assets) at the close of fiscal year 2004 by \$25,015,826, which represents a 6.6% decrease in net assets from last fiscal year. Total assets, consisting almost entirely of investments, decreased from \$27,021,089 to \$25,216,784 or 6.7%. The mix of those assets changed, as a result of changes in the overall investments market and by realignment of the investment portfolio by RAB's investment managers. At December 31, 2004, the investment portfolio was comprised of negotiable certificates of deposits (7.1%), U.S. Government and Agency bonds (70.6%), common stock (19.6%), and a money market fund (2.7%). At December 31, 2003, the portfolio was comprised of negotiable certificates of deposits (19%), U. S. Government and Agency bonds (61%), common stock (15%), and a money market fund (5%).

RAB's net assets decreased by \$1,781,499 in 2004, which was greater than the decrease in net assets in 2003 of \$1,275,041. RAB's net investment income in 2004 included less increases in the fair values of investment securities than in 2003. RAB received no operating revenues during 2004 because of the elimination of access charges previously charged to consumers.

### 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*.



## RELAY ADMINISTRATION BOARD

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

### Basic Financial Statements

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

The Statement of Net Assets (page 9) 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 11) presents information that 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, no transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 13) presents information showing how the RAB's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by or used in operating activities (indirect method) as required by GASB 34.

### FINANCIAL ANALYSIS OF THE ENTITY

#### Statement of Net Assets December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Total assets	\$25,216,784	\$27,021,089
Total liabilities	<u>200,958</u>	<u>223,764</u>
Total net assets - unrestricted	<u><u>\$25,015,826</u></u>	<u><u>\$26,797,325</u></u>

All of the assets of the RAB can be used for any lawful purpose consistent with the by-laws and articles of incorporation, which requires that funds be used for providing telecommunication relay services to the residents of the State of Louisiana. The RAB has no long-term debt obligations. The total assets at December 31, 2004, are composed of \$684,665 in cash equivalents, \$125,138 in accrued interest receivables, and \$24,406,981 invested in negotiable certificates of deposits and debt and equity securities. Investment securities are available for liquidity as needed, but are intended to also provide a return on assets that can be used to provide relay services to the hearing and speech impaired.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues		\$22,264
Operating expenses	<u>\$2,618,317</u>	<u>2,602,836</u>
Operating loss	<u>(2,618,317)</u>	<u>(2,580,572)</u>
Nonoperating revenues	<u>836,818</u>	<u>1,305,531</u>
Decrease in net assets	<u><u>(\$1,781,499)</u></u>	<u><u>(\$1,275,041)</u></u>

RAB recognized no operating revenues during 2004. This decrease is attributable to the Louisiana Public Service Commission's decision to indefinitely suspend the 11¢ per line access fee charged to consumers. While the suspension was effective in April 2002, a small amount of delinquent fees continued to be collected in 2003. Nonoperating revenues decreased in 2004 by \$468,713, or 36%, primarily because of less increases in fair values of investment securities during 2004 and reduced interest earnings on debt-type securities held during 2004.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay service provider. Total operating expenses were mostly unchanged from prior year with an increase in 2004 of 0.6%.

**ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS AND RATES**

As portrayed on page 9 of the financial statements, the RAB has accumulated net assets since its inception in 1992. Such accumulation has been determined by the board, when combined with anticipated investment earnings and future state funding, to be adequate for the provision of telephone access services for a period of approximately 12 years from December 31, 2004. 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 2005, the RAB is expected to have no telephone access fee revenue.

Subsequent to the above analysis, the RAB was notified that it would not receive the \$500,000 annual state funding which was included in determining the estimated 12-year period previously described. The RAB received no state funding during 2004 and expects to receive no such funding during 2005.

**CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT**

This financial report is designed to provide residents, taxpayers, customers, and creditors with a general overview of the Relay Administration Board's finances and to show the RAB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Guarisco, 4609 Bluebonnet Blvd, Suite A, Baton Rouge, Louisiana 70809.

**RELAY ADMINISTRATION BOARD  
STATE OF LOUISIANA**

**Statement of Net Assets, December 31, 2004**

**ASSETS**

Current assets:

Cash equivalents (note 2)	\$684,665
Accrued investment income	<u>125,138</u>
Total current assets	809,803

Noncurrent assets - investments (note 2)	<u>24,406,981</u>
Total assets	<u>25,216,784</u>

**LIABILITIES**

Current liabilities - accounts payable	<u>200,958</u>
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**NET ASSETS**

Unrestricted	<u><u>\$25,015,826</u></u>
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The accompanying notes are an integral part of this statement.

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**RELAY ADMINISTRATION BOARD  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
For the Year Ended December 31, 2004**

<b>OPERATING REVENUES</b>	NONE
<b>OPERATING EXPENSES</b>	
Relay service costs	\$2,480,050
Consulting fees	63,476
Legal and professional	68,687
Other operating expenses	6,104
Total operating expenses	<u>2,618,317</u>
<b>OPERATING LOSS</b>	(2,618,317)
<b>NONOPERATING REVENUES</b>	
Net investment income (note 2)	<u>836,818</u>
<b>DECREASE IN NET ASSETS</b>	(1,781,499)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>26,797,325</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$25,015,826</u></u>

The accompanying notes are an integral part of this statement.

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**RELAY ADMINISTRATION BOARD  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended December 31, 2004**

**Cash flows from operating activities:**

Cash used by operating activities -  
paid to suppliers for goods and services (\$2,641,123)

**Cash flows from investing activities:**

Purchase of investment securities (12,066,890)  
Proceeds from sale and maturities of investment securities 13,253,698  
Interest and dividends on investments 738,435  
Net cash provided by investing activities 1,925,243

**Net decrease in cash** (715,880)

**Cash equivalents at beginning of year** 1,400,545

**Cash equivalents at end of year** \$684,665

**Reconciliation of operating loss to cash  
used by operating activities:**

Operating loss (\$2,618,317)  
Adjustment to reconcile operating loss to cash  
used by operating activities:  
Decrease in accounts payable (22,806)

Cash used by operating activities (\$2,641,123)

**Noncash Investing, Capital, and Financing Activities**

Net increase in the fair value of investments \$121,801

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The accompanying notes are an integral part of this statement.

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## **INTRODUCTION**

The Relay Administration Board (referred to as the board or RAB) 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, ensuring equal access to telecommunications services for all hearing and speech impaired residents, 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 Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. However, the board does not apply FASB pronouncements issued after November 30, 1989.

#### **B. REPORTING ENTITY**

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The Office of Statewide Reporting and Accounting Policy considers the board to be a discrete component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) a majority of the board is appointed by the State of Louisiana; (2) upon dissolution of the board, title to all property owned by the board shall vest in the State of Louisiana; (3) the Louisiana Public Service Commission, a commission within a department of the State of Louisiana, has the ability to modify and approve changes to the telephone access fee; and (4) the Louisiana Public Service Commission has the ability to veto, overrule, and modify decisions made by the board. The accompanying financial statements present information only as to the transactions of the programs of the Relay Administration Board. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements as a business-type

activity. The State of Louisiana's basic financial statements are audited by the Louisiana Legislative Auditor.

### **C. FUND ACCOUNTING**

For financial reporting purposes, the 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.

Transactions for which cash flows are reported as investing activities are reported as nonoperating revenue. All expenses related to operating the board are reported as operating expenses.

### **E. CASH EQUIVALENTS AND INVESTMENTS**

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

For purposes of the statement of cash flows, the board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2004, consist of money market funds.

Cash equivalents are carried at cost, which approximates fair value. Investment securities are carried at fair value, as determined by published trade prices, in accordance with GASB Statement No. 31. Unrealized and realized gains and losses are reported in the accompanying statement of revenues, expenses, and changes in fund net assets.

**F. USE OF ESTIMATES**

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

**G. INCOME TAXES**

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

The 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 IRC. To maintain that status, the board must continually meet the requirements of the applicable support test. If the board does not meet the public support requirements, it could be classified as a private foundation from the date of the 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 board had satisfied the support test through the collection of a grant from the Louisiana Department of Social Services, Rehabilitation Services. However, for the years ending December 31, 2003 and 2004, the board did not receive any such grants and no grants are expected to be received in the near future. Therefore, the board could potentially lose its status as a publicly supported organization.

**2. CASH EQUIVALENTS AND INVESTMENTS**

At December 31, 2004, investment securities of \$24,406,981 and investments reported as cash equivalents of \$684,665, as presented on Statement A, consist of the following:

	Cost	Fair Value	Percentage of Investments	Moody's Investors Service Credit Quality Rating	Weighted Average Maturity (Years)
	\$481,001	\$484,173	1.9%	A	
	123,000	123,330	0.5%	Baa	
	1,176,000	1,176,795	4.7%	Not rated	
Negotiable certificates of deposit	1,780,001	1,784,298	7.1%		0.49
Federal Home Loan Bank (FHLB)	2,704,408	2,699,983	10.8%	Aaa	0.39
Federal National Mortgage Association (FNMA)	5,274,305	5,220,374	20.8%	Aaa	1.41
Federal Home Loan Mortgage Corporation (FHLMC)	7,714,520	7,644,847	30.5%	Aaa	1.22
United States Treasury Notes	2,147,002	2,142,584	8.5%	*	0.90
Total debt securities - portfolio weighted-average maturity	19,620,236	19,492,086	77.7%		1.06
Common stock	4,348,012	4,914,895	19.6%	*	
Total amount reported as investments	23,968,248	24,406,981	97.3%		
Money market fund - cash equivalent	684,665	684,665	2.7%	Aaa	
Total investments	\$24,652,913	\$25,091,646	100.0%		

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

At December 31, 2004, the board has cash equivalents (book balances) totaling \$684,665, which are held in the bank's trust department. This balance represents an investment in a money market fund that, because of its relative liquidity, is reported as a cash equivalent on the Statement of Net Assets.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the board will not be able to recover the value of its investments that are in the possession of an outside party. The board does not have an investment policy for custodial credit risk. At December 31, 2004, the board's investments in common stock, negotiable certificates of deposit, and U.S. government and agency securities are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by the counterparty's agent, but not in the board's name. The board's investment in the money market fund is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk:* The board has adopted a policy limiting the percentage of total investments that can be invested in equity securities and fixed income securities at 20% and 90%, respectively. The board has also adopted a policy that limits its investments in equity securities to a maximum of 10% of its total investments in any one company. At December 31, 2004, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 10% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government. In addition, no more than 5% of the outstanding debt of any single fixed income issue can be held, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

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

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

Components of net investment income, as presented on Statement B, are as follows for the year ended December 31, 2004:

Interest earnings	\$612,872
Dividends on common stock	102,145
Net increase in the fair value of investments	<u>121,801</u>
Net investment income	<u><u>\$836,818</u></u>

### 3. FUNDING SOURCES

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

### **4. BOARD MEMBER COMPENSATION**

Although compensation to board members is authorized by the board's by-laws, no compensation was paid to board members during 2004.

### **5. LITIGATION**

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

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY  
As of and for the Year Ended December 31, 2004**

The following supplemental information presents the financial position of the Relay Administration Board as of December 31, 2004, 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.

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RELAY ADMINISTRATION BOARD  
STATE OF LOUISIANA  
Annual Financial Statements  
December 31, 2004

C O N T E N T S

AFFIDAVIT

Statements

MD&A

Balance Sheet	A
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STATE OF LOUISIANA  
Annual Financial Statements  
Fiscal Year Ending December 31, 2004

RELAY ADMINISTRATION BOARD

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Office of Statewide Reporting  
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Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mr. Paul Guarisco, Treasurer of the Relay Administration Board who duly sworn, deposes and says, that <sup>to the best of his knowledge & belief - P112</sup> the financial statements herewith given present fairly the financial position of the Relay Administration Board at December 31, 2004 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 15th day of July, 2005.



Signature of RAB Official



NOTARY PUBLIC

WILLIAM C. POTTER Bar Roll # 10,633

Prepared by: Mr. Paul Guarisco

Title: Treasurer

Telephone No.: (225) 291-2770

Date: July 15, 2005

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2004**

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, 2004. 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 6.

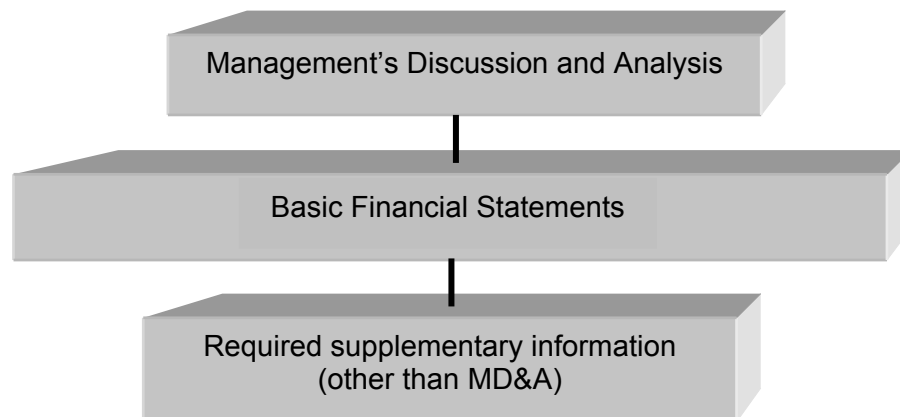
**FINANCIAL HIGHLIGHTS**

The RAB's assets exceeded its liabilities (net assets) at the close of fiscal year 2004 by \$25,015,826 which represents a 6.6% decrease in net assets from last fiscal year. Total assets, consisting almost entirely of investments, decreased from \$27,021,089 to \$25,216,784 or 6.7%. The mix of those assets changed, as a result of changes in the overall investments market and by realignment of the investment portfolio by RAB's investment managers. At December 31, 2004, the investment portfolio was comprised of negotiable certificates of deposits (7.1%), U.S. Government and Agency bonds (70.6%), common stock (19.6%), and a money market fund (2.7%). At December 31, 2003, the portfolio was comprised of negotiable certificates of deposits (19%), U. S. Government and Agency bonds (61%), common stock (15%), and money market fund (5%).

RAB's net assets decreased by \$1,781,499 in 2004 which was greater than the decrease in net assets in 2003 of \$1,275,041. RAB's net investment income in 2004 included less increases in the fair values of investment securities than in 2003. RAB received no operating revenues during 2004 due to the elimination of access charges previously charged to consumers.

**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 three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2004**

**Basic Financial Statements**

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

The Balance Sheet (page 6) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Relay Administration Board is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 7) presents information showing how the Relay Administration Board's 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 Cash Flow Statement (page 9) presents information showing how the Relay Administration Board's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

Statement of Net Assets  
December 31, 2004 and 2003  
(in thousands)

	2004	2003
Current and other assets	\$ 25,217	\$ 27,021
Capital assets	-	-
Total assets	<u>25,217</u>	<u>27,021</u>
Other liabilities	201	224
Long-term debt outstanding	-	-
Total liabilities	<u>201</u>	<u>224</u>
Net assets:		
Invested in capital assets, net of debt	-	-
Restricted	-	-
Unrestricted	25,016	26,797
Total net assets	<u>\$ 25,016</u>	<u>\$ 26,797</u>

All of the assets of the RAB can be used for any lawful purpose consistent with the by-laws and articles of incorporation which requires that funds be used for providing telecommunication relay services to the citizens of the State of Louisiana. The RAB has no long-term debt obligations. The total assets at December 31, 2004, are composed of \$684,665 in cash equivalents, \$125,138 in accrued interest receivables, and \$24,406,981 invested in negotiable certificates of deposits and debt

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2004**

and equity securities. Investment securities are available for liquidity as needed, but are intended to also provide a return on assets that can be used to provide relay services to the hearing and speech impaired.

Net assets of the Relay Administration Board decreased by \$1,781,499, or 6.6%, from December 31, 2003 to December 31, 2004.

Statement of Revenues, Expenses, and Changes in Net Assets  
for the years ended December 31, 2004 and 2003  
(in thousands)

	2004	2003
Operating revenues	\$ -	\$ 22
Operating expenses	2,618	2,602
Operating loss	(2,618)	(2,580)
Nonoperating revenues	837	1,305
Loss before transfers	(1,781)	(1,275)
Transfers in	-	-
Transfers out	-	-
Net decrease in net assets	\$ (1,781)	\$ (1,275)

RAB recognized no operating revenues during 2004. This decrease is attributable to the Louisiana Public Service Commission's decision to indefinitely suspend the 11¢ per line access fee charged to consumers. While the suspension was effective in April 2002, a small amount of delinquent fees continued to be collected in 2003. Nonoperating revenues decreased in 2004 by \$468,713 or 36% due primarily to less increases in fair values of investment securities during 2004 and reduced interest earnings on debt-type securities held during 2004.

The majority of RAB's operating expenses represent the provisioning of telephone relay service by a contracted relay service provider. Total operating expenses were mostly unchanged from prior year with an increase in 2004 of .6%.

**STATEMENT OF CASH FLOWS**

Another way to assess the financial health of BTA is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2004**

Statement of Cash Flows  
for the years ended December 31, 2004 and 2003  
(in thousands)

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$ (2,641)	\$ (2,575)
Capital Financing Activities	-	-
Non-capital financing activities	-	-
Investing activities	1,925	3,132
Net change in cash and cash equivalents	(716)	557
Cash and cash equivalents:		
Beginning of year	1,401	844
End of year	<u>\$ 685</u>	<u>\$ 1,401</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Not applicable.

**Debt**

Not applicable.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS**

Not applicable.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As portrayed on page 6 of the financial statements, the Relay Administration Board has accumulated net assets since its inception in 1992. Such accumulation has been determined by the board, when combined with anticipated investment earnings and future state funding, to be adequate for the provision of telephone access services for a period of approximately 12 years from December 31, 2004. 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 2005, the RAB is expected to have no telephone access fee revenue.

Subsequent to the above analysis, the RAB was notified that it would not receive the \$500,000 annual state funding which was included in determining the estimated 12-year period previously described. The RAB received no state funding during 2003 and expects to receive no such funding during 2005.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2004**

**CONTACTING THE RELAY ADMINISTRATION BOARD'S MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Relay Administration Board's finances and to show the RAB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Guarisco, 4609 Bluebonnet Blvd, Suite A, Baton Rouge, Louisiana 70809.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
BALANCE SHEET  
AS OF DECEMBER 31, 2004**

**ASSETS**

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	<u>684,665</u>
Investments (Note C2)		
Receivables (net of allowance for doubtful accounts) Note U)		<u>125,138</u>
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Other current assets		
Total current assets		<u>809,803</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 - investments (Note C2)		<u>24,406,981</u>
Total noncurrent assets		<u>24,406,981</u>
Total assets	\$	<u><u>25,216,784</u></u>

**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	<u>200,958</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>200,958</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>-</u>
Total liabilities		<u>200,958</u>

**NET ASSETS**

Invested in capital assets, net of related debt		
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		
Unrestricted		<u>25,015,826</u>
Total net assets		<u>25,015,826</u>
Total liabilities and net assets	\$	<u><u>25,216,784</u></u>

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

Statement A

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>OPERATING REVENUES</b>	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	_____
Licenses, permits, and fees	_____
Other	_____
Total operating revenues	_____
<b>OPERATING EXPENSES</b>	
Cost of sales and services	2,480,050
Administrative	138,267
Depreciation	_____
Amortization	_____
Total operating expenses	2,618,317
Operating income(loss)	(2,618,317)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	836,818
Gain (loss) on disposal of fixed assets	_____
Federal grants	_____
Interest expense	_____
Other	_____
Total non-operating revenues (expenses)	836,818
Income (loss) before contributions and transfers	(1,781,499)
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	(1,781,499)
Total net assets – beginning as restated	26,797,325
Total net assets – ending	\$ 25,015,826

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

Statement B

STATE OF LOUISIANA  
 RELAY ADMINISTRATION BOARD  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
		<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
Entity	\$ <u>2,618,317</u>	\$ _____	\$ _____	\$ <u>(2,618,317)</u>
General revenues:				
Taxes				_____
State appropriations				_____
Grants and contributions not restricted to specific programs				_____
Interest				<u>836,818</u>
Miscellaneous				_____
Special items				_____
Transfers				_____
Total general revenues, special items, and transfers				<u>836,818</u>
Change in net assets				<u>(1,781,499)</u>
Net assets - beginning				<u>26,797,325</u>
Net assets - ending				\$ <u><u>25,015,826</u></u>

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Cash flows from operating activities**

Cash received from customers	\$	
Cash payments to suppliers for goods and services		<u>(2,641,123)</u>
Cash payments to employees for services		
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		<u>(2,641,123)</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>-</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>-</u>

**Cash flows from investing activities**

Purchases of investment securities		<u>(12,066,890)</u>
Proceeds from sale of investment securities		<u>13,253,698</u>
Interest and dividends earned on investment securities		<u>738,435</u>
Net cash provided(used) by investing activities		<u>1,925,243</u>

Net increase(decrease) in cash and cash equivalents (715,880)

Cash and cash equivalents at beginning of year 1,400,545

Cash and cash equivalents at end of year \$ 684,665

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Operating income(loss)		\$ <u>(2,618,317)</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, net	_____	
(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 and accruals	(22,806)	
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>(2,641,123)</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)	_____	
<u>Net increase in the fair value of investments</u>	<u>121,801</u>	
 <b>Total noncash investing, capital, and financing activities:</b>	 <u><u>121,801</u></u>	

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA**  
**RELAY ADMINISTRATION BOARD**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2004**

**INTRODUCTION**

The Relay Administration Board (referred to as “the board” or “RAB”) 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.

**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, if measurable.

**B. BUDGETARY ACCOUNTING**

The board does not adopt a budget.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

**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

At December 31, 2004, the board has no bank deposits but does have cash and cash equivalents (book balances) totaling \$684,665 which are held in the bank's trust department. This balance represents investments in a money market fund, that because of its relative liquidity, is reported as a cash equivalent on the Balance Sheet.

2. INVESTMENTS

The Relay Administration Board 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. **Beginning with fiscal year ending June 30, 2004, only risk category 3 has to be broken out separately. However, the total reported amount and fair value columns still must be reported for total investments (including category 3).**

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name. (separate disclosure no longer required)

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name. (separate disclosure no longer required)

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. (separate disclosure still required)

**NOTE: GASB Statement 40 requires investments to be listed by type, and whether any of those are category 3 investments. If so, those category 3 investments are reported in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.**

Type of Investment	Amount Reported in Risk		Total Reported Amount - All Categories (Including Category 3)	Total Fair Value - All Categories (Including Category 3)
	Held by Counterparty	Held by Counterparty's Trust Dept. or Agent <u>Not in Entity's Name</u>		
Repurchase agreements	\$ _____	\$ _____	\$ _____	\$ _____
U.S. Government securities	_____	2,142,584	2,142,584	2,142,584
Common & preferred stock	_____	4,914,895	4,914,895	4,914,895
Commercial paper	_____	_____	_____	_____
Corporate bonds	_____	_____	_____	_____
Other: (identify)	_____	_____	_____	_____
Negotiable certificates of deposit	_____	1,784,298	1,784,298	1,784,298
Federal Home Loan Bank	_____	2,699,983	2,699,983	2,699,983
Federal Home Loan Mortgage Corporation	_____	7,644,847	7,644,847	7,644,847
Federal National Mortgage Association	_____	5,220,374	5,220,374	5,220,374
Total investments	_____ -	24,406,981	\$ 24,406,981	\$ 24,406,981

**STATE OF LOUISIANA**  
**RELAY ADMINISTRATION BOARD**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2004**

The institution does not invest in **derivatives** as part of its investment policy. Accordingly, the exposure to risks from these investments is as follows:

credit risk not applicable  
market risk not applicable  
legal risk not applicable

3. Other Disclosures Required for Investments

- a. Investments in pools managed by other governments or mutual funds None
- b. Securities underlying reverse repurchase agreements Not applicable
- c. Unrealized investment losses N/A
- 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 n/a
  - 2. Description of the terms of the agreement n/a
- e. Losses during the year due to default by counterparties to deposit or investment transactions None
- f. 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

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

Reverse Repurchase Agreements as of Year-End - None

- i. Credit risk related to the reverse repurchase agreements outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest \_\_\_\_\_
- j. Commitments on \_\_\_\_\_ (fiscal close), to repurchase securities under yield maintenance agreements \_\_\_\_\_
- k. Market value on \_\_\_\_\_ (fiscal close), of the securities to be repurchased \_\_\_\_\_
- l. Description of the terms of the agreements to repurchase \_\_\_\_\_

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

- m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements \_\_\_\_\_  
\_\_\_\_\_
- n. Amounts recovered from prior-period losses which are not separately shown on the operating statement \_\_\_\_\_  
\_\_\_\_\_

Fair Value Disclosures

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

**Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures**

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

The board does not have an investment policy for custodial credit risk.

*Concentration of Credit Risk:* The board's has adopted a policy limiting the percentage of total investments that can be invested in equity securities and fixed income securities at 20% and 90%, respectively. The board has also adopted a policy that limits its investments in equity securities to a maximum of 10% of its total investments in any one company. At December 31, 2004, there were no investments in any one issuer of common stock that represented 5% or more of total investments. In addition, the board has set a limit of 10% of its investments in fixed income securities that can be held in the fixed income securities of any single issuer, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government. In addition, no more than 5% of the outstanding debt of any single fixed income issue can be held, exclusive of the U.S. Government securities and federal agency securities guaranteed by the U.S. Government.

**STATE OF LOUISIANA**  
**RELAY ADMINISTRATION BOARD**  
**Notes to the Financial Statement**  
**As of and for the year ended December 31, 2004**

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

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

- w. **List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments.** The following table provides investment disclosures to items w, y, and z

	Cost	Fair Value	Percentage of Investments	Moody's Investors Service Credit Quality Rating	Weighted Average Maturity (Years)
	\$ 481,001	\$ 484,173	1.9%	A	
	123,000	123,330	0.5%	Baa	
	1,176,000	1,176,795	4.7%	Not rated	
Negotiable certificates of deposit	1,780,001	1,784,298	7.1%		0.49
Federal Home Loan Bank (FHLB)	2,704,408	2,699,983	10.8%	Aaa	0.39
Federal National Mortgage Association (FNMA)	5,274,305	5,220,374	20.8%	Aaa	1.41
Federal Home Loan Mortgage Corporation (FHLMC)	7,714,520	7,644,847	30.5%	Aaa	1.22
United States Treasury Notes	2,147,002	2,142,584	8.5%	*	0.90
Total debt securities - portfolio weighted average maturity	19,620,236	19,492,086	77.7%		1.06
Common stock	4,348,012	4,914,895	19.6%	*	
Total amount reported as investments	23,968,248	24,406,981	97.3%		
Money market fund - cash equivalent	684,665	684,665	2.7%	Aaa	
Total investments	\$ 24,652,913	\$ 25,091,646	100.0%		

- x. **List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (eg. coupon multipliers, reset dates, etc.)**  
None.
- y. **Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are unrated, disclose that amount).**  
Refer to table at w. above.
- z. **Disclose the interest rate risk of debt investments by listing the investment type and the method that is used to identify and manage the interest rate risk of those investments (by, using one of the following 5 methods that is used to identify and manage interest rate risk: a) segmented time distribution, b) specific identification, c) weighted average maturity, d) duration, or e) simulation model.)** Refer to table at w. above.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

- aa. **Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable. Not applicable.**

**D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS**

The board has no capital assets at December 31, 2004.

**E. INVENTORIES**

The board has no inventory at December 31, 2004.

**F. RESTRICTED ASSETS**

The board has no restricted assets at December 31, 2004.

**G. LEAVE**

The board has no employees at December 31, 2004.

**H. RETIREMENT SYSTEM**

The board has no employees at December 31, 2004.

**I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The board has no employees at December 31, 2004.

**J. LEASES**

The board has no leases at December 31, 2004.

**K. LONG-TERM LIABILITIES**

The board has no long-term liabilities at December 31, 2004.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

**L. LITIGATION**

1. The Relay Administration Board is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable outcome (Remote, reasonably possible, or probable)	Primary Attorney	Damages Claimed	Insurance Coverage
10/01/03	The board has been named a defendant in a suit asserting that certain telecommunication relay service charges collected since the inception of the board constituted an unconstitutional and illegal tax imposed by the board and/or the Louisiana Public Service Commission.	Liskow & Lewis	\$ All fees collected since inception of board. Estimated amount of claim is expected to exceed funds of board.	\$ 0
Totals			\$ -	\$ -

The Relay Administration Board's legal advisor estimates that potential claims not covered by insurance would affect the financial statement as follows (would not materially affect the financial statements or is unable to estimate the effect on the financial statement): unable to estimate the effect on the financial statements.

2. Claims and litigation costs of \$55,427 were incurred in the current year and are reflected in the accompanying financial statement.

**M. RELATED PARTY TRANSACTIONS**

The board was not involved in any related party transactions for the year ended December 31, 2004.

**N. ACCOUNTING CHANGES**

The board implemented GASB 40 for the year ended December 31, 2004.

**O. IN-KIND CONTRIBUTIONS**

The board has no in-kind contributions at December 31, 2004.

**P. DEFEASED ISSUES**

The board has no defeased issues at December 31, 2004.

**Q. COOPERATIVE ENDEAVORS**

The board has no cooperative endeavors at December 31, 2004.

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)**

The were no government-mandated nonexchange transactions (grants) received during fiscal year.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

**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, 2004.

**T. SHORT-TERM DEBT**

The board has no short-term debt at December 31, 2004.

**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at December 31, 2004, were as follows:

Activity	Customer		Receivables		Total
	Receivables	Taxes	from other Governments	Other Receivables	
Accrued Interest Receivable	\$	\$	\$	125,138	\$ 125,138
					-
Gross receivables	\$ -	\$ -	\$ -	125,138	\$ 125,138
Less allowance for uncollectible accounts	-	-	-	-	-
Receivables, net	\$ -	\$ -	\$ -	125,138	\$ 125,138
Amounts not scheduled for collection during the subsequent year	\$	\$	\$	-	\$ -

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at December 31, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
Investment Mgt. Fee	5,487				5,487
Legal/professional	473				473
Other	1,178				1,178
Total payables	\$ 200,958	\$ -	\$ -	\$ -	\$ 200,958

**W. SUBSEQUENT EVENTS**

There were no subsequent events.

**X. SEGMENT INFORMATION**

The board has no segments at December 31, 2004.

**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
Notes to the Financial Statement  
As of and for the year ended December 31, 2004**

**Y. DUE TO/DUE FROM AND TRANSFERS**

The board has no due to/from or transfers at December 31, 2004.

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

The board has no liabilities from restricted assets at December 31, 2004.

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

The board made no adjustments to restate beginning net assets.



**STATE OF LOUISIANA  
RELAY ADMINISTRATION BOARD  
SCHEDULE OF STATE FUNDING  
For the Year Ended December 31, 2004**

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







**STATE OF LOUISIANA**  
**RELAY ADMINISTRATION BOARD**  
**SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION**  
**For The Year Ended December 31, 2004**

***Not Applicable***

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
Total	\$ _____ --	\$ _____ --

**STATE OF LOUISIANA**  
**RELAY ADMINISTRATION BOARD**  
**SCHEDULE OF CAPITAL LEASE AMORTIZATION**  
**For The Year Ended December 31, 2004**

***Not Applicable***

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	Balance
2005	\$ _____	\$ _____	\$ _____	\$ --
2006	_____	_____	_____	--
2007	_____	_____	_____	--
2008	_____	_____	_____	--
2009	_____	_____	_____	--
2010-2014	_____	_____	_____	--
2015-2019	_____	_____	_____	--
2020-2024	_____	_____	_____	--
2025-2029	_____	_____	_____	--
 Total	 \$ <u>    --</u>	 \$ <u>    --</u>	 <u>    --</u>	 <u>    --</u>

STATE OF LOUISIANA  
 RELAY ADMINISTRATION BOARD  
 SCHEDULE OF NOTES PAYABLE AMORTIZATION  
 For The Year Ended December 31, 2004

*Not Applicable*

Fiscal Year <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
 Total	 \$ _____ --	 \$ _____ --

STATE OF LOUISIANA  
 RELAY ADMINISTRATION BOARD  
 SCHEDULE OF BONDS PAYABLE AMORTIZATION  
 For The Year Ended December 31, 2004

***Not Applicable***

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
Total	\$ _____ --	\$ _____ --

STATE OF LOUISIANA

RELAY ADMINISTRATION BOARD

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	December 31, <u>2004</u>	December 31, <u>2003</u>	<u>Difference</u>	Percentage <u>Change</u>
1) Revenues	\$ <u>836,818</u>	\$ <u>1,327,795</u>	\$ <u>(490,977)</u>	<u>(37.0)%</u>
Expenses	<u>2,618,317</u>	<u>2,602,836</u>	<u>15,481</u>	<u>(0.6)%</u>
2) Capital assets	_____	_____	<u>-</u>	_____
Long-term debt	_____	_____	<u>-</u>	_____
Net Assets	<u>25,015,826</u>	<u>26,797,325</u>	<u>(1,781,499)</u>	<u>(6.7)%</u>

Explanation for change: RAB recognized no operating revenues during 2004. This decrease is attributable to the Louisiana Public Service Commission's decision to indefinitely suspend the 11¢ per line access fee charged to consumers. While the suspension was effective in April 2002, a small amount of delinquent fees continued to be collected in 2003. Nonoperating revenues decreased in 2004 by \$468,713 or 36% due primarily to less increases in fair values of investment securities during 2004 and reduced interest earnings on debt-type securities held during 2004.

3)	2004 Original <u>Budget</u>	2004 Final <u>Budget</u>	<u>Difference</u>	Percentage <u>Change</u>
	<b><i>Not Applicable</i></b>			
Revenues	\$ _____	\$ _____	\$ <u>-</u>	\$ _____
Expenditures	_____	_____	<u>-</u>	_____

Explanation of change: \_\_\_\_\_

	2004 Final <u>Budget</u>	2004 Actual <u>Budget</u>	<u>Difference</u>	Percentage <u>Change</u>
	<b><i>Not Applicable</i></b>			
Revenues	_____	_____	_____	_____
Expenditures	_____	_____	_____	_____

Explanation of change: \_\_\_\_\_

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain a report on internal control and on compliance with laws and regulations and other matters 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 and other matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

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July 15, 2005

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

**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, 2004, and have issued our report thereon dated July 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

### **Noncompliance With State Laws and Regulations**

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

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

- At December 31, 2004, the RAB had investments consisting of \$684,665 in a money market mutual fund; \$17,707,788 in government and agency securities; \$1,784,298 in negotiable certificates of deposit; and \$4,914,895 in common stock, which did not comply with state law. Louisiana Revised Statute (R.S.) 49:327(C)(1)(a) authorizes state entities to invest monies under their control and not on deposit in the state treasury in time certificates of deposit of state banks organized under the laws of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 6:703(16) and (17)(a), or in share accounts and share certificate accounts of federally or state-chartered credit unions.
- The RAB did not deposit its funds into the state treasury, as required by the Louisiana Constitution and Revised Statutes. Article VII, Section 9(A) of the Louisiana Constitution and R.S. 49:308 require that all monies received by any state board, agency, or commission be deposited immediately upon receipt in the state treasury.
- 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.
- 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 each agency to submit record retention schedules to the state archivist 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.

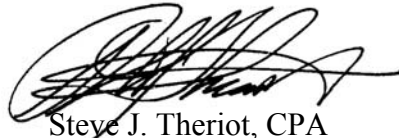
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## INTERNAL CONTROL AND COMPLIANCE REPORT

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

This report is intended solely for the information and use of the Relay Administration Board 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,



Steve J. Theriot, CPA  
Legislative Auditor

RR:WDD:THC:dl

RAB04

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Management's Corrective Action  
Plan and Response to the  
Finding and Recommendation

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A PROFESSIONAL LAW CORPORATION

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CAROL WILSON REISMAN  
MATT JONES

CULLEN R. LISKOW (1989-1971)  
AUSTIN W. LEWIS (1910-1974)

DAVID L. REISMAN  
JILL THOMPSON LOBCH  
MICHAEL D. RUBINSTEIN  
HAROLD J. PLANAGAN  
GREG L. JOHNSON  
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(1989-1971)  
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▲ Admitted in Virginia only

Lafayette, Louisiana  
June 13, 2005

**VIA FAX 225-339-3870  
AND U.S. MAIL**

Mr. Steve J. Theriot, CPA  
Office of Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: Legislative Auditor Correspondence Dated May 20, 2005  
Response of Relay Administration Board

Dear Mr. Theriot:

This letter is in response to Mr. DeLeo's correspondence of May 20, 2005 which discusses proposed "reportable audit findings" for the Relay Administration Board (the "RAB").

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

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

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

### **CASH AND INVESTMENTS**

The RAB does not concur with this proposed finding for several reasons. First, this proposed finding appears to be based on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by mention of Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually define "state agency" and does not purport to define "state agency." No authoritative tribunal or body has made a binding determination that the RAB was or is a "state agency" for purposes of either La. R.S. 39:372(A)(1) or Article VII, Section 9(A) of the Louisiana Constitution of 1974. If the constitutional article is applicable to the RAB (which at this time has yet to be determined), Paragraph (1) of Section 9(A) of Article VII states that money received by a state agency need not be deposited in the state treasury when it has been received "as a result of grants or donations or other forms of assistance when the terms and conditions thereof or of agreements pertaining thereto require otherwise." As noted by both the RAB (in prior discussions with the OLA) and the AG in his Opinion No. 03-0081 at page 3, money received by the RAB from the LCD (presumably arising from the \$0.05 tax ultimately collected by the LCD) was required by a series of contracts between the RAB and the LCD to be used solely for the purpose of providing TRS. The AG also concluded that the LCD "has contributed voluntarily to help fund and create . . . the telecommunications relay service." La. Atty. Gen. Op. No. 03-0081, p. 4. The money arising from the monthly

\$0.11 telephone access line charge, which was certainly a form of assistance (to cover TRS costs as mandated by the FCC) received by the local exchange carriers from telephone ratepayers, and which was collected by the LPSC and turned over by the LPSC to the RAB, was likewise dedicated solely to the provision of the TRS. The AG in Opinion No. 03-0081, page 3, notes that the provision of TRS is federally mandated and is funded (in part) by the \$0.11 rate fee. Any failure of the RAB to use such grants, donations and other forms of assistance from the LCD and Louisiana telephone ratepayers in compliance with those terms, conditions and agreements, namely, the utilization of the funds for the provision of TRS, would violate the representations made to telephone ratepayers by the LPSC and the RAB's contractual obligations to the LCD. In addition, the monthly \$0.11 telephone access line charge was not a tax, but rather a telephone line access charge. If, as the OLA suggests, the LPSC could not impose the \$0.11 charge for TRS or such charge represents an "overcharge" for TRS, which the RAB denies, the resulting funds in their entirety likely belong either to Louisiana telephone ratepayers or to the local exchange carriers and would have to be refunded pursuant to applicable state laws, regulations and jurisprudence relating to utility regulation, the jurisdiction of which lies solely with the LPSC. Under those circumstances, any alleged requirement that the funds be deposited into the state treasury without constitutional or statutory protections ensuring use of the funds only for or in support of the provision of TRS would cause a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers or the local exchange carriers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

Second, 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.

#### **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 the RAB's accounts. The funds from the LCD were generated by action by the Louisiana legislature (and not the RAB) in imposing a monthly \$0.05 tax (dedicated to purposes determined by the LCD) on telephone lines. The monthly \$0.11 telephone access line charge arose through action of the LPSC in requiring that the charge be included on telephone bills. The RAB did not "generate" the resulting funds received as donations from the LCD or as a result of telephone bill charges. This proposed finding also appears predicated on an assumption that the RAB was or is a "state agency" for purposes of La. R.S. 39:372(A)(1). The term "state agency" is not actually defined in that statute, except by reference in La. R.S. 39:372(A)(2) to Article VII, Section 9(A) of the Louisiana Constitution of 1974. That constitutional provision does not actually, or even purport to, define "state agency." No authoritative tribunal or body has made a

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

#### **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 completely ignores the fact that the funds cannot be used for purposes not directly related to TRS. An alternative use would be a wrongful confiscation of those funds by the State of Louisiana or its acting instrumentality and therefore would constitute an unconstitutional taking (under both the federal and Louisiana constitutions) of property from Louisiana telephone ratepayers, thereby subjecting the State of Louisiana and the acting instrumentality to legal action.

June 13, 2005

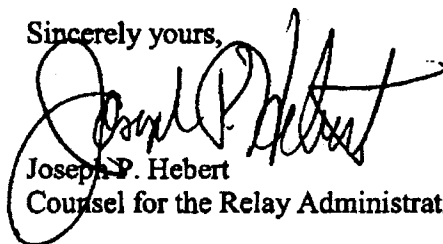
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**RECORD RETENTION**

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).

Sincerely yours,



Joseph P. Hebert  
Counsel for the Relay Administration Board

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