



LOUISIANA

POPULAR ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2015



Introduction

The Popular Annual Financial Report (PAFR) is prepared within six months after the fiscal year-end in accordance with Louisiana Revised Statute (LRS) 39:80(B) with the express purpose of providing a brief, objective and easily understood analysis of the State's financial performance for the preceding year. It presents selected information about the State's revenues, expenditures, financial position, budget, service efforts and performance. The information is presented in a non-technical format and is intended to summarize and explain the basic financial condition and the operations of the State for the fiscal year covered by the Comprehensive Annual Financial Report (CAFR) for the State of Louisiana.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is independently audited by the Louisiana Legislative Auditor. Conversely, the PAFR is unaudited and includes financial data that departs from GAAP.

A copy of the CAFR can be obtained on the Office of Statewide Reporting and Accounting Policy's (OSRAP) website at www.doa.la.gov/Pages/osrap/CAFR/CAFR.aspx. The source of all illustrations is the 2015 and/or prior years CAFRs unless otherwise indicated.

Basis of Accounting

GAAP Basis

The State's GAAP basis government-wide financial statements provide a broad overview of the finances of the State as a whole. The government-wide financial statements are presented on the full-accrual basis of accounting, which is similar to the basis of accounting used by private-sector entities. The government-wide statements provide information about the short and long-term economic effects of past policy decisions such as the administration of government programs, capital financing, debt issuance, and funding obligations for post-employment benefits for the State's employees. Consistent with the long-term focus, the government-wide financial statements report the State's economic resources rather than just those financial resources that are currently available. For example, suppose the State makes a cash purchase of a building that will be used in the administration of a certain government program. Although the State has expended current financial resources (cash), the building is an economic resource that contributes to the provision of government programs throughout its useful life. Therefore, the building and other similar capital assets are reported in the government-wide financial statements.

Budgetary Basis

The State's budgetary basis of accounting focuses on the short-term, rather than the long-term focus of the government-wide financial statements discussed above. Budgetary basis information is useful in 1) assessing whether the State was able to finance current year expenditures of current financial resources with current year collections of current financial resources and 2) demonstrating compliance with finance-related laws and regulations.

Financial Results

Financial Position

Financial position is the difference between a government's resources and the claims of other parties on those resources at a point in time. Financial position is strong if a government has ample resources in excess of the claims of others on those resources. The greater the financial position, the more a government is prepared to weather future revenue shortfalls or finance unexpected contingencies without disrupting the delivery of critical government services.



Condensed Statement of Net Position

(in thousands)

Current and other assets	\$ 14,177,456
Capital Assets	15,967,567
Total Assets	<u>30,145,023</u>
Total Deferred Outflows of Resources	1,277,122
Other Liabilities	5,043,032
Long-term debt outstanding	19,604,624
Total Liabilities	<u>24,647,656</u>
Total Deferred Inflows of Resources	949,098
Net Investment in Capital Assets	11,790,466
Restricted	5,942,941
Unrestricted	(11,908,016)
Total Net Position	<u>\$ 5,825,391</u>

The State's financial position (called net position) at June 30, 2015 was roughly \$5.8 billion. A large portion of this amount, however, is comprised of the State's net investment in capital assets. The net investment in capital assets component of net position is equal to the carrying amount of the State's capital assets less the outstanding debt used to finance those assets. Consequently, this element of net position is not in spendable form and is therefore not available to finance the State's on-going operations and obligations. Another \$5.9 billion of net position is restricted by law or by external parties for certain uses. The unrestricted component of net position would normally be available to finance the State's on-going operations and obligations. However, unrestricted net position was negative at year-end. The negative balance in unrestricted net position is mainly attributable to the continued issuance of debt to finance capital grant expenditures to local governments and private entities and the underfunding of accrued post-employment benefits.

Financial Performance

Financial performance measures the changes in a government's financial position that occurred during a given period. Phrased another way: how well did a government's revenues cover its expenses? Revenues in excess of expenses for the period indicate that financial position has increased since the prior year-end. On the other hand, insufficient revenues to cover expenses during the period means that financial position decreased since the prior year-end.

Condensed Statement of Activities

(in thousands)

Revenues**Program Revenues:**

Charges for Services	\$ 2,889,952
Operating Grants & Contributions	11,539,637
Capital Grants & Contributions	651,122

General Revenues:

Income Taxes	3,082,630
Sales & Use Taxes	3,129,686
Other Taxes	2,206,404
Other	1,486,784
Total Revenues	<u>24,986,215</u>

Total Expenses	<u>26,531,597</u>
Net Increase (Decrease)	<u>(1,545,382)</u>
Net Position - Beginning, as Restated	<u>7,370,773</u>
Net Position - Ending	<u>\$ 5,825,391</u>

The Statement of Activities reports how net position changed from the prior year. The State's net position decreased from the prior year by approximately \$1.5 billion. The decrease was attributable to the following factors:

- * the expenditure during the year of debt proceeds to fund capital grants to local governments and private entities;
- * the spend-down of prior year revenue collections to fund current year operations of the Medicaid program;
- * the recognition of additional liabilities for claims against the State; and
- * the current year under-funding of annual required contributions for post-employment health and life insurance benefits.



General Fund Budgetary Data

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND				
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)				
FOR THE YEAR ENDED JUNE 30, 2015				
(EXPRESSED IN THOUSANDS)				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
INTERGOVERNMENTAL	\$ 9,812,615	\$ 9,807,967	\$ 8,766,570	\$ (1,041,397)
TOTAL REVENUES	9,812,615	9,807,967	8,766,570	(1,041,397)
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	1,579,678	1,604,344	1,387,661	216,683
CULTURE, RECREATION & TOURISM	98,133	94,828	87,465	7,363
TRANSPORTATION & DEVELOPMENT	630,110	631,192	593,626	37,566
PUBLIC SAFETY	1,927,463	2,072,314	1,438,831	633,483
HEALTH & WELFARE	10,290,665	10,355,728	9,690,279	665,449
CORRECTIONS	787,954	777,072	747,508	29,564
YOUTH DEVELOPMENT	119,888	114,256	112,383	1,873
CONSERVATION & ENVIRONMENT	569,600	603,621	347,020	256,601
EDUCATION	6,408,424	6,485,394	6,329,985	155,409
AGRICULTURE & FORESTRY	85,236	82,784	75,007	7,777
ECONOMIC DEVELOPMENT	142,547	209,910	138,989	70,921
MILITARY & VETERANS AFFAIRS	139,378	176,870	147,431	29,439
WORKFORCE SUPPORT & TRAINING	280,433	281,945	246,139	35,806
TOTAL EXPENDITURES	23,059,509	23,490,258	21,342,324	2,147,934
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(13,246,894)	(13,682,291)	(12,575,754)	(1,106,537)
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN	13,202,507	13,460,031	12,710,883	(749,148)
TRANSFERS OUT	(253,511)	(241,311)	(384,947)	(143,636)
SALES OF GENERAL CAPITAL ASSETS	--	--	7	7
TOTAL OTHER FINANCING SOURCES (USES)	12,948,996	13,218,720	12,325,943	(892,777)
NET CHANGE IN BUDGETARY FUND BALANCE	(297,898)	(463,571)	(249,811)	213,760
BUDGETARY FUND BALANCE - BEGINNING	222,240	438,688	438,688	--
BUDGETARY FUND BALANCE - ENDING	\$ (75,658)	\$ (24,883)	\$ 188,877	\$ 213,760

The State's budget is enacted each year by the Legislature as elected by the citizens of the State. The Legislature is required to enact a balanced budget. The budget is developed based on the governmental services that citizens demand as constrained by the State's resources available to pay for them. The General Fund is the fund that reports substantially all of the governmental services provided to the citizenry. Spending in compliance with budgeted amounts helps to ensure the State is providing services that citizens demand, the State is providing these services in an efficient manner, and the State is delivering services that it has the means to pay for.

Most of the State's operating expenditures are reported in the General Fund. These expenditures are funded by a variety of sources including federal revenues and transfers of interagency receipts; agency self-generated revenues; and taxes, licenses, and fees from the Bond Security and Redemption Fund and other statutorily dedicated funds.

Budgeted expenditures are constrained by annual revenue projections forecasted by the Revenue Estimating Conference (REC). Actual expenditures financed with federal receipts

and General Fund taxes, licenses, and fees are limited to current budget. Actual expenditures of all other revenues are limited to the lesser of budget or actual collections. Over the course of the year, agencies may request budget adjustments based on actual need.

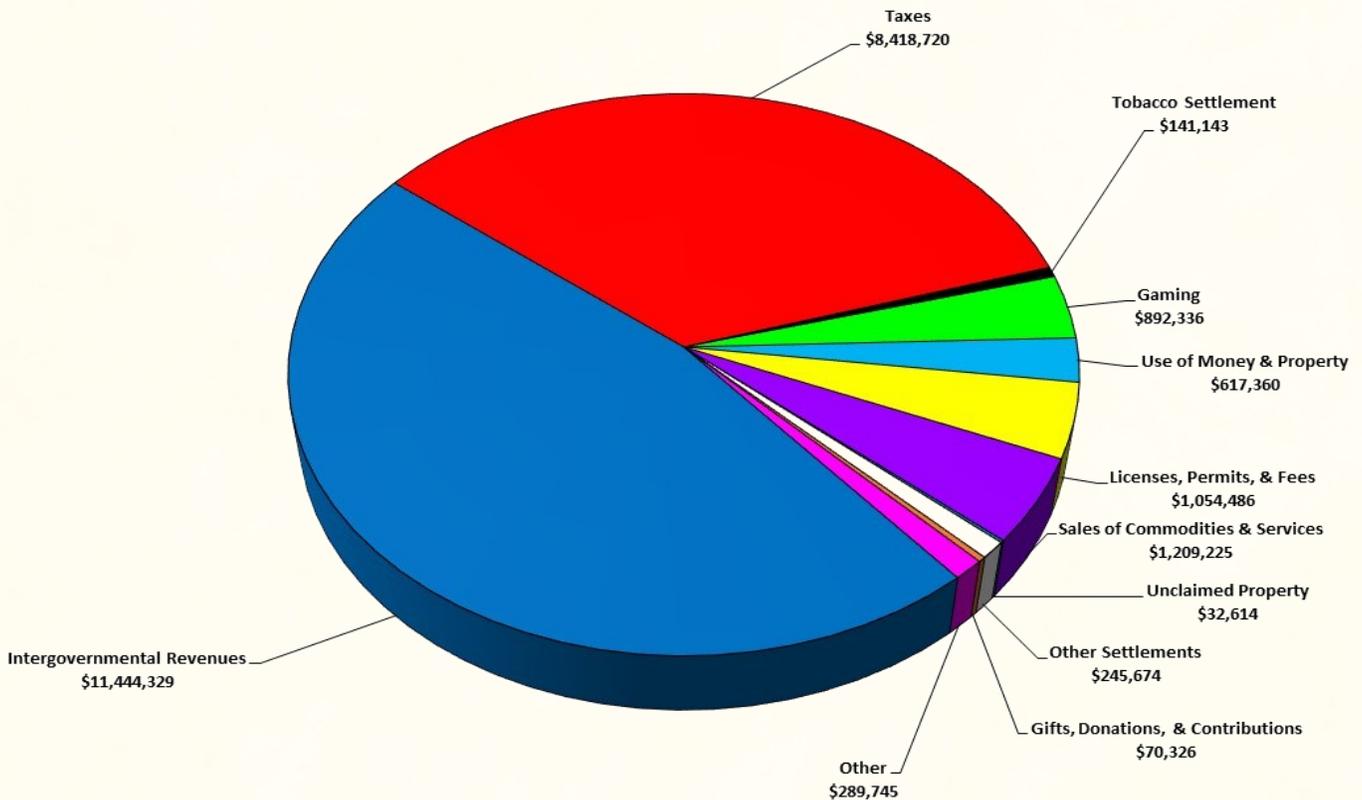
Despite downward adjustments to General Fund taxes, license and fee revenue forecasts for the year, final budgeted expenditures were \$430.7 million greater than the original budget adopted by the Legislature. The increased budgeted expenditures were tied to additional collections of federal revenue, other fees and self-generated revenues, interagency transfers, and transfers from statutorily dedicated funds. These increases included additional appropriations to the Medicaid program, the Department of Public Safety and the Coastal Protection and Restoration Agency to expend BP settlement dollars for coastal projects, the Minimum Foundation Program to fully fund the allocation to public schools, and the Department of Economic Development and Military and Veterans Affairs.

Actual budgetary basis General Fund expenditures were \$2.1 billion lower than final budgeted amounts. This variance is mainly because forecasts for budgeted expenditures of federal receipts are largely based on remaining grant balances. Since the entire remaining allocations of grants are rarely spent within one year, budgeted amounts are inflated relative to actuals. In other instances, funds were received in accordance with the budget; however, delays in expenditures occurred due to various factors. Most notably, BP settlement funds were received and budget authority to expend the funds was granted; however, delays in several key projects resulted in actual expenditures that were lower than final budgeted amounts. In these cases, the cash and budget authority were carried forward to fiscal year 2016. Carry-forwards of federal receipts, agency self-generated revenues, and interagency transfers totaled \$306 million. These amounts were offset with a shortfall in actual General Fund taxes, licenses, and fees of \$117.1 million to produce a total budget basis General Fund surplus of \$188.9 million. The shortfall was mainly attributable to lower than forecasted corporate income tax revenues caused by an acceleration in tax credit filings prompted by legislative changes that reduced corporate tax credits effective July 1, 2015. The \$117.1 million shortfall in General Fund taxes, licenses, and fees is required to be resolved during fiscal year 2016. The \$306 million in surplus funds were restricted, committed or assigned for other purposes and are consequently not available to resolve the \$117.1 million shortfall.

Receipts

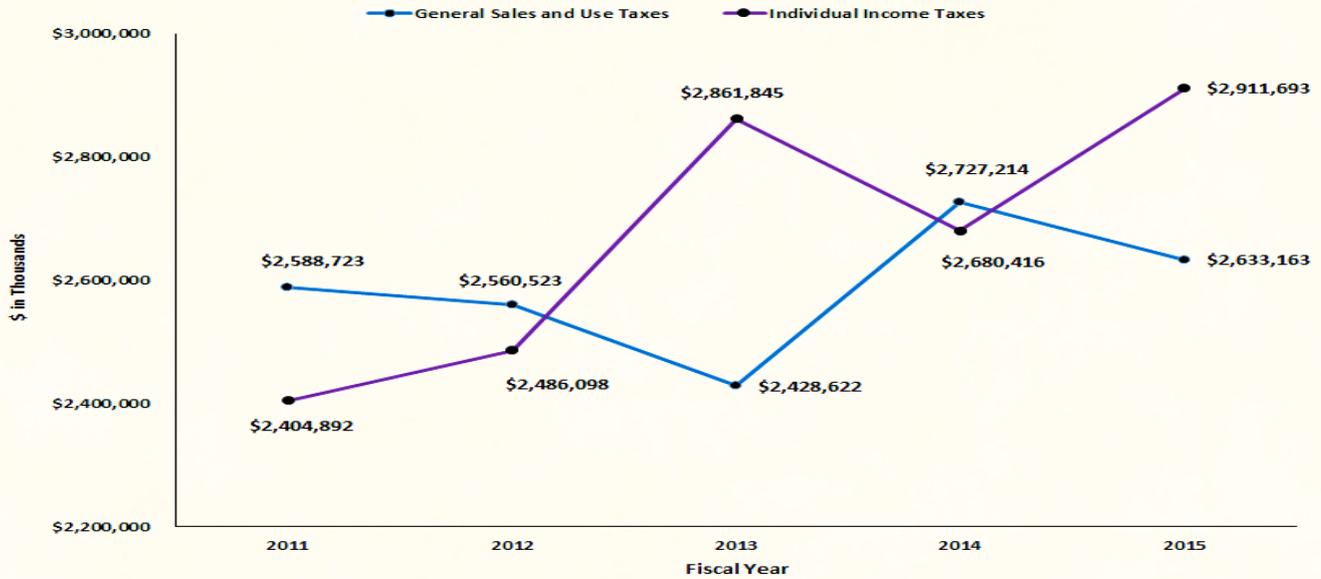
During FY 2015, 46.9% of the State's receipts came from the federal government and 53.1% were derived from the State's own revenue generating authority. The State's own-source revenues are comprised mainly of taxes supplemented with gaming revenues; licenses, permits, and fees; and sales of commodities and services. Taxes include sales and use, individual income, severance, gas and fuels, and insurance premium taxes. Gaming revenues consist of profit-sharing with the Louisiana Lottery Corporation and gaming franchise fees. Licenses, permits, and fees consist of charges to users related to regulated activities such as vehicle licenses collected by the Office of Motor Vehicles. Sales of commodities and services consist of sales to entities outside the primary government. For example, health premiums paid by local school districts related to their participation in the Office of Group Benefits.

**Sources of Revenue - Governmental Activities
(\$ in thousands)**



The two largest tax revenue streams are general sales and use taxes and individual income taxes. The following chart shows the trends in general sales and use taxes and individual income taxes over the last five years. Individual income taxes have increased almost every year over the last five fiscal years. This increase is due to increases in personal incomes. Despite the increase in personal income, the general sales and use tax has remained relatively flat over the last five fiscal years. This could be attributable to consumers purchasing items that are not included in the general sales and use tax (such as cars) or individuals saving or paying down personal debts with the extra personal income.

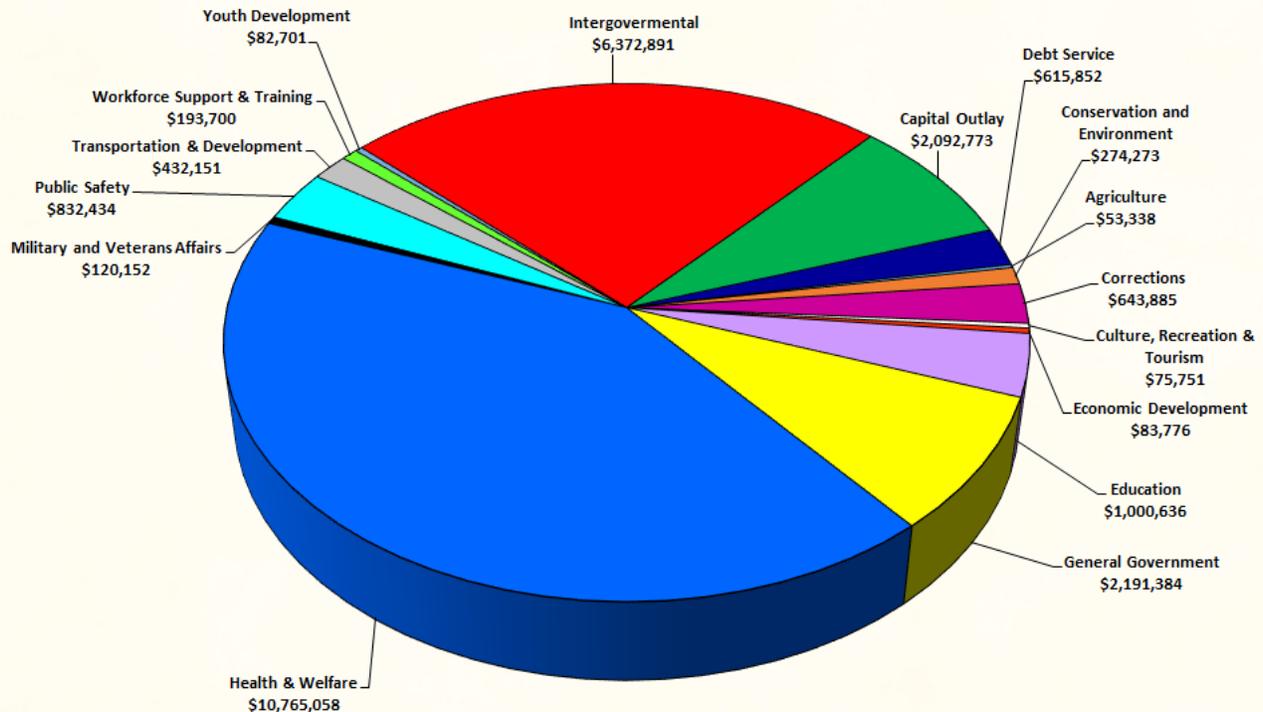
**General Sales and Use Tax and Individual Income Taxes
(Last 5 Fiscal Years)**



Source: Integrated Statewide Information Systems, AFS

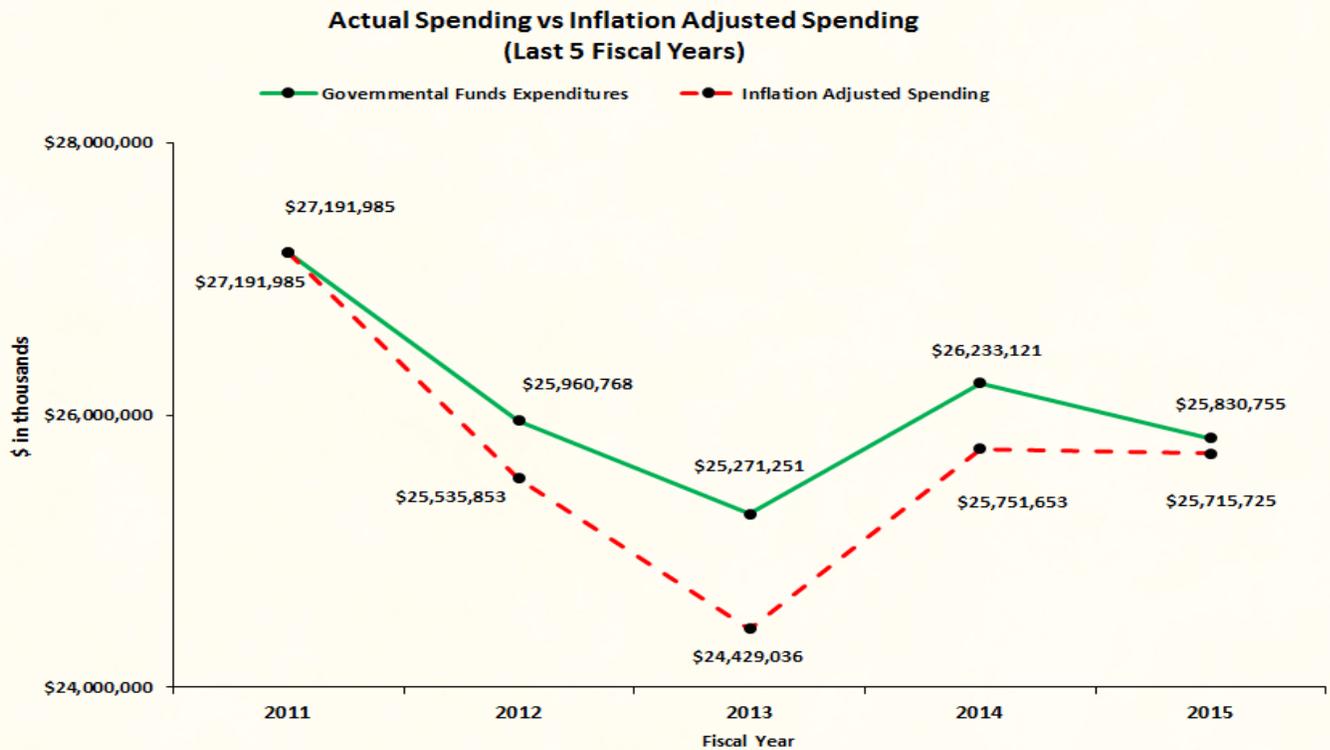
Spending

**Governmental Fund Expenditures by Category
(\$ in thousands)**



The State’s expenditures are largely for health and welfare programs including large federal programs such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP). Another large portion of state expenditures are provided to local governments including funding for K – 12 education through the Minimum Foundation Program provided to public school districts and funds provided through revenue sharing programs to parishes. General government includes expenditures of the judicial and legislative branches as well as general administrative functions such as the Office of Group Benefits. Capital outlay includes expenditures for State-owned capital assets such as roads, bridges, and buildings and capital grants to other entities.

The trend in state spending the last five years largely tracks the trend in revenues. This is because budgeted expenditures are based on revenue forecasts by the Revenue Estimating Conference (REC) and the requirement for the Legislature to pass a balanced budget each year. Not only does a decline in revenue generally impede the State from maintaining the same level of services to its citizenry, inflation also has the same effect by reducing the State’s purchasing power. Inflation-adjusted expenditures for the last five years are included to illuminate the extent to which service delivery (approximated by spending) has been impaired in terms of real dollars.



Source: 2011-2015 CAFR & the Bureau of Labor Statistics

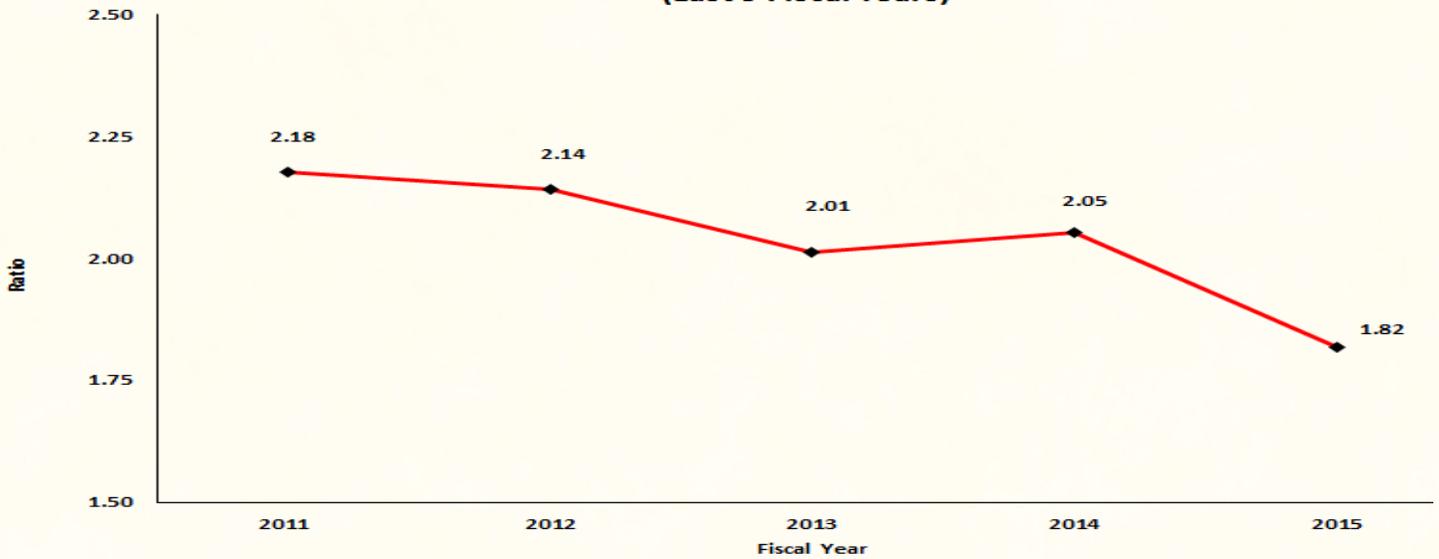
Liquidity

Liquidity is defined as the ease with which an entity can pay its bills. A government is considered to be relatively liquid when cash and other assets that are easily converted to cash (liquid assets) exceed its short-term liabilities. Conversely, a government is considered to be relatively illiquid when its liquid assets are less than its short-term obligations.

A metric, known as the *current ratio*, is used in assessing liquidity. The current ratio equals liquid assets divided by short-term liabilities. A current ratio greater than 1.0 indicates that the State is liquid while a current ratio less than 1.0 indicates that the State is illiquid. The current ratio decreased in fiscal year 2015 from the prior year due largely to the spend down of cash and investments related to the Office of Group Benefits, state funds committed for the Medicaid program, and proceeds of bond issues. This decrease in current assets was accompanied by an increase in accounts payable and tax refunds payable.

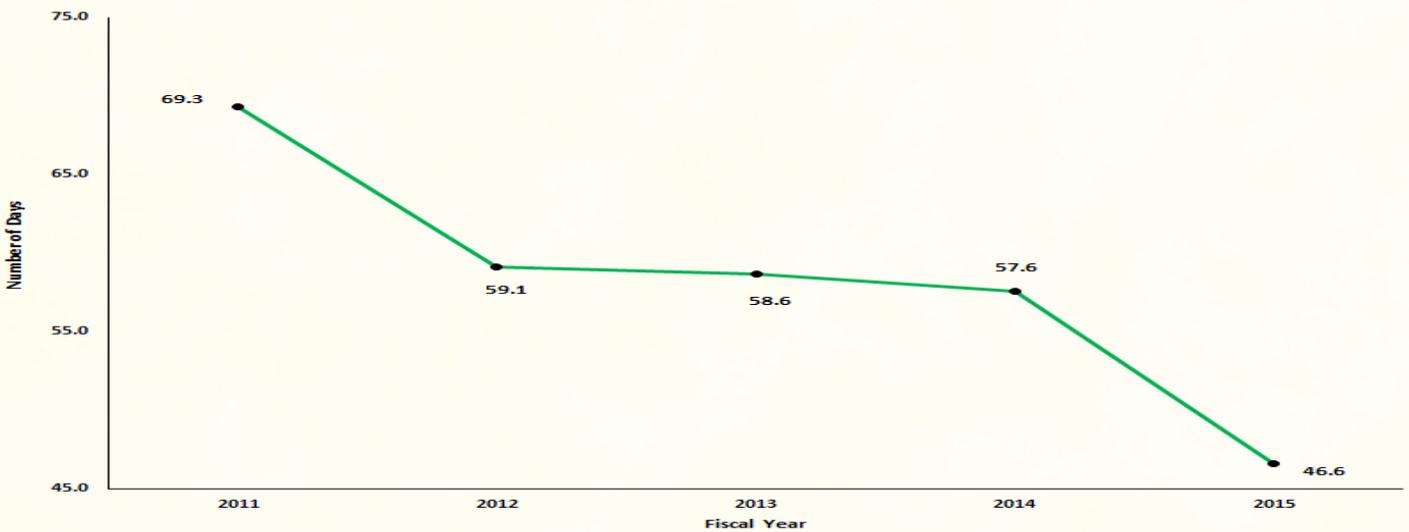


**Current Ratio
(Last 5 Fiscal Years)**



Liquidity can also be assessed in terms of how many days the State can pay its operating expenses with the cash it currently has on hand. This metric, known as *days cash on hand*, is calculated by dividing expenses by 365 days to derive the average expenses per day. Total cash on hand is then divided by the average expenses per day. The higher the days cash on hand, the more liquid the State is considered to be.

**Days Cash on Hand
(Last 5 Fiscal Years)**



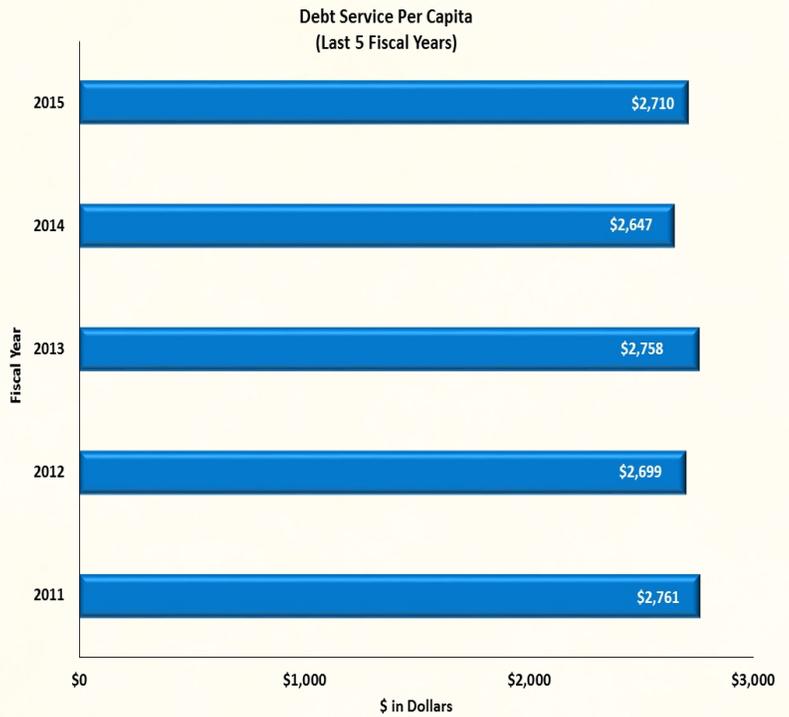
Days cash on hand is approximately 47 days. This means that the State's governmental activities could continue operations on its cash reserves without additional cash collections or a slow-down of expenditures for 47 days. Days cash on hand decreased during the year due to the spend-down of cash mentioned above.

Bonded Debt

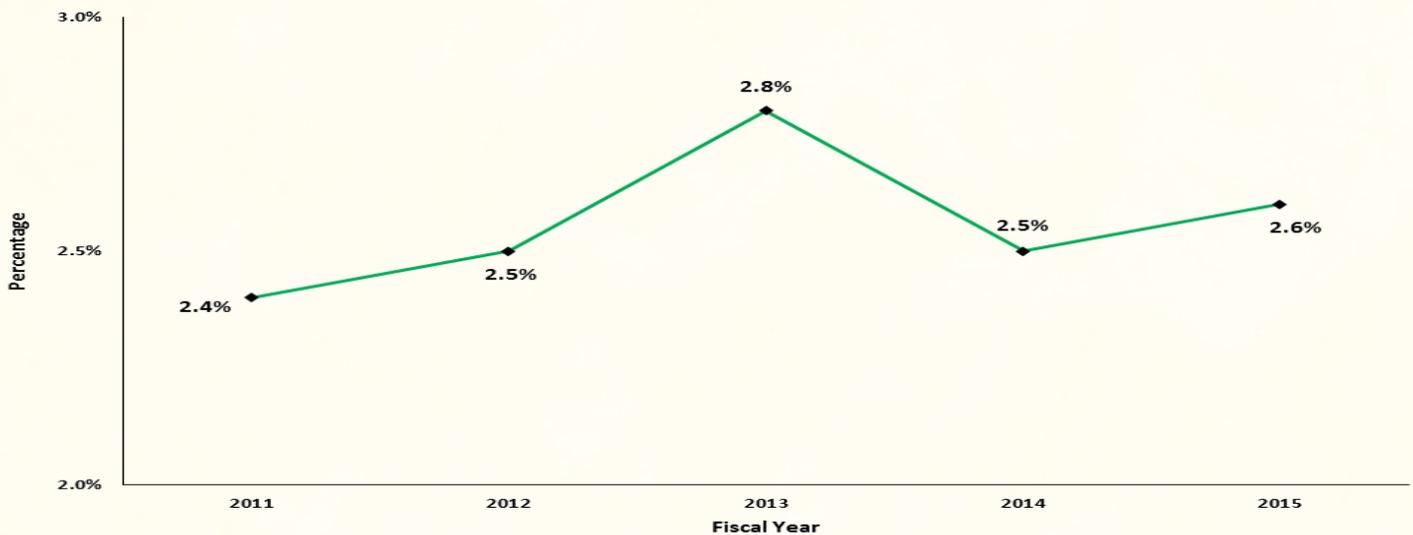
Bonds are issued to access monies today that otherwise wouldn't be collected until future periods. Issuing debt is useful in funding projects and programs today that would normally have to be completed over many years. However, if a government borrows too heavily, the government may have to spend a large portion of its revenues paying principal and interest on the debt, rather than providing governmental services to its citizens.

Assessing the extent to which a government has issued too much debt depends on many variables including the government's capacity to raise revenues, expenditure levels, and ability to access credit markets, and other factors. However, it's generally useful to benchmark certain debt metrics against other similar governments.

Debt per capita provides information about the debt burden placed on each citizen, who will ultimately be responsible for repaying debt through taxes, fees, or other charges. According to Moody's *State Debt Medians 2015* report, the median debt per capita for states was \$1,012. Louisiana had the 16th most debt per capita out of the 50 states.



**Debt Service as a Percentage of Noncapital Expenditures
(Last 5 Fiscal Years)**



Over the past five years Louisiana’s debt service expenditures as a percentage of noncapital expenditures ranged from 2.4% - 2.8%. This metric gives an idea of how much of the State’s operating budget is consumed by servicing debt rather than providing direct services to its citizens. According to the Moody’s report, Louisiana had the 22nd lowest debt service ratio out of the 50 states.

Funding for Postemployment Benefits

The State provides pensions and post-employment benefits other than pensions (called OPEB which includes health and life insurance benefits) to its retirees. Defined benefit plans provide a pre-determined level of benefits for an uncertain amount of time. In the case of pensions, the State provides specified amounts to retirees until death that is predetermined by a formula based on the individual’s earning history. In the case of OPEB, the State assumes the risk of paying a share of health care costs or health care premiums for retirees until death.

The State is a participating employer in seven defined benefit pension plans. Pension benefits are pre-funded. This means that the State and participating employees contribute to the pension system while employees are in active service to pay for the pension benefits the employee is entitled to at retirement. Employee contributions are established in statute. Employer contributions are actuarially determined each year by the Public Employee Retirement System Actuarial Committee.

The State fully funds the actuarial determined contributions that are developed to fund the additional pension benefits earned by all employees during the year and to amortize unfunded liabilities of prior years.

The State participates in two OPEB plans: one administered by the Office of Group Benefits and the other administered by Louisiana State University. Unlike pension benefits, the State does not prefund OPEB benefits. Rather, employer contributions are made on a pay -as-you-go basis. Therefore, no assets are set aside to offset the actuarially accrued liability resulting in a funded ratio of 0%.

Funded Percentage of Actuarial Accrued Liability Last 5 Fiscal Years					
	2011	2012	2013	2014	2015
District Attorneys' Retirement System	85%	83%	86%	92%	97%
Louisiana Clerks' of Courts Retirement System	73%	71%	71%	75%	79%
Louisiana State Employees' Retirement System	58%	56%	60%	59%	62%
Registrar of Voters Employees' Retirement System	78%	74%	74%	78%	82%
School Employees' Retirement System	60%	62%	62%	67%	71%
State Police Retirement System	54%	55%	59%	66%	69%
Teachers' Retirement System of Louisiana	55%	55%	56%	57%	61%
Source: Retirement Systems' Actuarial Valuation Reports					

Operating Indicators

The following table presents key operating indicators for the State for the last five fiscal years:

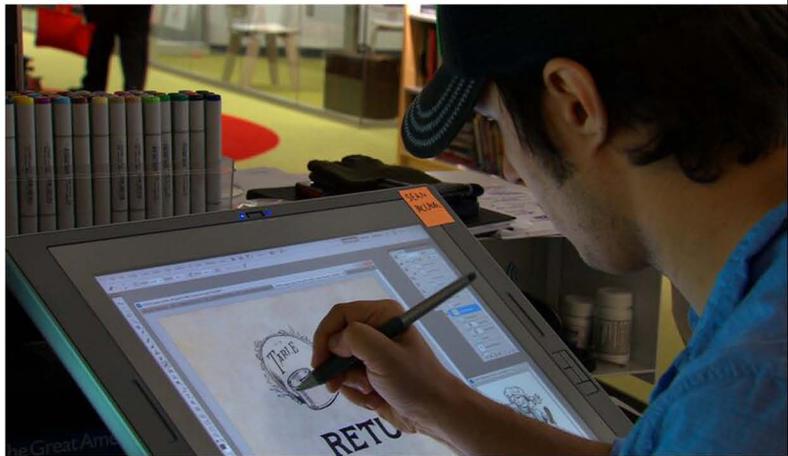
OPERATING INDICATORS BY FUNCTION/PROGRAM LAST FIVE YEARS					
	2015	2014	2013	2012	2011
GENERAL GOVERNMENT					
AGRICULTURE - CROPS (in thousands) - [1]	*	\$2,649,907	\$2,766,125	\$2,962,500	\$2,402,228
AGRICULTURE - LIVESTOCK (in thousands) - [1]	*	\$1,342,101	\$1,159,661	\$1,165,382	\$1,058,342
AGRICULTURE - TIMBER (in thousands) - [1]	*	\$386,975	\$425,046	\$337,288	\$446,905
ELECTIONS - REGISTERED VOTERS (in thousands) - [1]	*	2,948	2,918	2,920	2,861
REVENUE - TAX RETURNS FILED (in thousands) - [2]	2,858	3,517	3,577	3,952	4,332
REVENUE - TAX RETURNS FILED ELECTRONICALLY - [2]	80%	77%	74%	61%	48%
CULTURE, RECREATION, AND TOURISM					
STATE PARKS VISITORS (in thousands) - [2]	1,899	1,747	1,967	2,151	2,242
TRANSPORTATION AND DEVELOPMENT					
NUMBER OF BRIDGES - [1]	12,907	12,982	12,955	13,095	13,016
PUBLIC SAFETY					
STATE POLICE ROAD PATROL MILEAGE (in thousands) - [2]	12,788	8,555	8,958	11,305	13,055
HEALTH AND WELFARE					
DHH - MEDICAID CLAIMS PROCESSED (in thousands) - [2]	57,690	53,814	56,395	60,498	64,703
DHH - CHILDREN IMMUNIZED - [3]	*	94%	94%	93%	95%
CORRECTIONS					
AVERAGE DAILY COST PER INMATE BED - [2]	\$53.79	\$50.21	\$53.43	\$54.82	\$55.77
CONSERVATION AND ENVIRONMENT					
WLF - FISH AND SHELLFISH (in thousands) - [1]	*	\$413,854	\$317,515	\$265,092	\$238,481
WLF - ALLIGATOR AND GAME (in thousands) - [1, 6]	*	*	\$39,106	\$84,738	\$66,418
WLF - HUNTER DAYS ANNUALLY (in millions) - [1]	*	7.0	7.0	5.4	5.8
WLF - LICENSED COMMERCIAL FISHERMEN - [1]	*	13,651	13,272	13,629	14,301
EDUCATION					
GRADES K-12 (number of students) - [3]	*	717,896	713,110	707,464	673,968
AVERAGE ACT SCORE - [4]	19.2	19.1	20.3	20.3	20.2
START PRINCIPAL DEPOSITS (in thousands, cumulative) - [1]	*	\$71,619	\$64,111	\$62,913	\$52,720
TOPS TUITION AWARDS (in thousands) - [2]	\$249,995	\$244,627	\$192,085	\$166,886	\$144,450
TOPS AWARDS RECIPIENTS (number of students) - [2]	48,790	48,224	46,263	44,433	43,782
COLLEGES & UNIVERSITIES (number of students) - [5]	*	216,123	216,613	221,831	225,835
	*	Information for this year is not yet available			
Sources:	[1] based on calendar years [2] based on fiscal years [3] based on school year reported on October 1 [4] based on graduating class [5] based on preliminary amounts reported on September 1 [6] 2013 was a transition year to coincide tag year with fiscal year				

WEBSITE ADDRESSES

State of Louisiana
Office of the Governor
Division of Administration
Office of Statewide Reporting and Accounting Policy

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