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Release Date SEP 23 1988

**KEITH J. ROVIRA**  
Certified Public Accountant

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
Component Unit Financial Statements  
and Independent Auditor's Report  
As of and for the Year Ended  
June 30, 1998

## C O N T E N T S

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**INDEPENDENT AUDITOR'S REPORT**

Custodian of Notarial Records of Orleans Parish  
State of Louisiana  
New Orleans, Louisiana

I have audited the accompanying component unit financial statements of the Custodian of Notarial Records of Orleans Parish, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These component unit financial statements are the responsibility of the Custodian of Notarial Records of Orleans Parish. My responsibility is to express an opinion on these component unit financial statements based on my audit.

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

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Custodian of Notarial Records of Orleans Parish as of June 30, 1998, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated September 3, 1998, on my consideration of the Custodian of Notarial Records of Orleans Parish's compliance and

internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. This report is presented separately after the notes to the financial statements of this audit report.

A handwritten signature in cursive script that reads "Keith J. Rovira".

Keith J. Rovira  
Certified Public Accountant

September 3, 1998

**COMPONENT UNIT FINANCIAL STATEMENTS**

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Balance Sheet - All Fund Types and Account Groups  
June 30, 1998

Statement A

|  | Governmental<br>Fund -<br>General<br>Fund | <u>Account Groups</u><br>General    General<br>Fixed    Long-Term<br><u>Assets</u> <u>Obligations</u> |                 | Total<br>(Memorandum<br>Only) |
|--|---|---|-----------------|-------------------------------|
| <b>ASSETS AND OTHER DEBITS</b>   |   |   |                 |                               |
| <u>Assets</u>  |   |   |                 |                               |
| Cash (Note B)  | \$532,855                                 | -   | -               | \$532,855                     |
| Receivables - City of<br>New Orleans   | 5,981                                     | -   | -               | 5,981                         |
| Other receivables  | 3,212                                     | -   | -               | 3,212                         |
| Rental deposits  | 4,304                                     | -   | -               | 4,304                         |
| Fixed assets (Note C)  | -   | \$183,602   | -               | 183,602                       |
| <u>Other Debits</u>  |   |   |                 |                               |
| Amount to be provided for<br>retirement of capital<br>lease obligations (Note F) | -   | -   | \$25,417        | 25,417                        |
| <b>TOTAL ASSETS</b>  | <u>\$546,352</u>                          | <u>\$183,602</u>  | <u>\$25,417</u> | <u>\$755,371</u>              |

The accompanying notes are an integral part of this statement.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Balance Sheet - All Fund Types and Account Groups  
June 30, 1998

Statement A - Continued

|  | <u>Governmental<br/>Fund -<br/>General<br/>Fund</u> | <u>Account Groups</u>               |  | <u>Total<br/>(Memorandum<br/>Only)</u> |
|--|---|-------------------------------------|--|--|
|  |   | <u>General<br/>Fixed<br/>Assets</u> | <u>General<br/>Long-Term<br/>Obligations</u> |  |
| <b>LIABILITIES, EQUITY<br/>AND OTHER CREDITS</b>                     |   |                                     |  |  |
| <u>Liabilities</u>   |   |                                     |  |  |
| Accounts payable   | \$5,723   | -                                   | -  | \$5,723                                |
| Accrued annual leave   | 9,717   | -                                   | -  | 9,717                                  |
| Accrued sick leave   | 5,134   | -                                   | -  | 5,134                                  |
| Payroll taxes payable  | 567   | -                                   | -  | 567                                    |
| Deferred revenue - notary<br>fees                                    | 12,485  | -                                   | -  | 12,485                                 |
| Escrow - City of<br>New Orleans                                      | 7,700   | -                                   | -  | 7,700                                  |
| Capital lease obligations  | -   | -                                   | \$25,417                                     | 25,417                                 |
| Total Liabilities  | <u>41,326</u>                                       | <u>-</u>                            | <u>25,417</u>                                | <u>66,743</u>                          |
| <u>Equity and Other Credits</u>                                      |   |                                     |  |  |
| Investment in general<br>fixed assets                                | -   | \$183,602                           | -  | 183,602                                |
| Fund balance - designated<br>for future microfilming<br>expenditures | 505,026   | -                                   | -  | 505,026                                |
| Total Equity and<br>Other Credits                                    | <u>505,026</u>                                      | <u>183,602</u>                      | <u>-</u>                                     | <u>688,628</u>                         |
| TOTAL LIABILITIES,<br>EQUITY AND OTHER<br>CREDITS                    | <u>\$546,352</u>                                    | <u>\$183,602</u>                    | <u>\$25,417</u>                              | <u>\$755,371</u>                       |

The accompanying notes are an integral part of this statement.



**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund  
For the Year Ended June 30, 1998

Statement B

**REVENUES**

|  |                      |
|--|----------------------|
| Filing fees  | \$569,432            |
| Copying fees   | 325,568              |
| Certification fees   | 100,000              |
| Notary fees  | 72,248               |
| City of New Orleans -<br>documentary transaction<br>tax fees | 53,279               |
| Service charges fees   | 6,950                |
| Interest earnings  | 14,468               |
| Archival fees  | <u>527</u>           |
| <br>Total Revenues   | <br><u>1,142,472</u> |

**EXPENDITURES**

|                                    |         |
|------------------------------------|---------|
| Salaries                           | 387,074 |
| Custodian withdrawals              | 44,000  |
| Advertising                        | 593     |
| Archival supplies                  | 1,433   |
| Bank charges                       | 1,411   |
| Binding                            | 27,898  |
| Capital additions and improvements | 25,535  |
| Copier supplies                    | 4,197   |
| Dues and subscriptions             | 513     |
| Insurance                          | 35,991  |
| Janitorial                         | 6,569   |
| Medical                            | 1,485   |
| Meetings and seminars              | 850     |
| Microfilm expenditures             | 3,459   |
| Microfilm projects                 | 52,095  |
| Miscellaneous                      | 280     |
| Office supplies                    | 7,522   |
| Operating services                 | 2,468   |
| Parking                            | 1,024   |
| Payroll taxes                      | 6,017   |

The accompanying notes are an integral part of this statement.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund  
For the Year Ended June 30, 1998

Statement B - Continued

|   |                    |
|---|--------------------|
| <b>EXPENDITURES</b> (Continued)                 |                    |
| Pest control                                    | \$ 480             |
| Photography project                             | 5,000              |
| Postage   | 2,580              |
| Preservation projects                           | 16,014             |
| Printing  | 4,311              |
| Professional services                           | 29,800             |
| Repairs   | 4,206              |
| State retirement plan cost                      | 40,756             |
| Telephone                                       | 2,495              |
| Travel  | 2,783              |
| Unemployment                                    | 1,838              |
| Debt service - capital lease<br>payments        | <u>20,070</u>      |
| Total Expenditures                              | <u>740,747</u>     |
| <br><b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <br>401,725        |
| <br>Fund Balance at Beginning of Year           | <br><u>103,301</u> |
| Fund Balance at End of Year                     | <u>\$505,026</u>   |

The accompanying notes are an integral part of this statement.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Governmental Fund Type - General Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 1998

Statement C

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|------------------|------------------|---|
| <b>REVENUES</b>  |                  |                  |   |
| Filing fees  | \$550,000        | \$569,432        | \$19,432  |
| Copying fees   | 315,000          | 325,568          | 10,568  |
| Certification fees   | 90,000           | 100,000          | 10,000  |
| Notary fees  | 75,000           | 72,248           | (2,752)   |
| City of New Orleans -<br>documentary transaction<br>tax fees | 53,000           | 53,279           | 279   |
| Service charges fees   | 6,500            | 6,950            | 450   |
| Interest earnings  | 14,500           | 14,468           | (32)  |
| Archival fees  | <u>500</u>       | <u>527</u>       | <u>27</u>                                       |
| Total Revenues   | <u>1,104,500</u> | <u>1,142,472</u> | <u>37,972</u>                                   |
| <br><b>EXPENDITURES</b>                                      |                  |                  |   |
| Salaries   | 390,000          | 387,074          | 2,926   |
| Custodian withdrawals  | 40,000           | 44,000           | (4,000)   |
| Advertising  | 600              | 593              | 7   |
| Archival supplies  | 1,500            | 1,433            | 67  |
| Bank charges   | 1,500            | 1,411            | 89  |
| Binding  | 28,000           | 27,898           | 102   |
| Capital additions<br>and improvements                        | 150,000          | 25,535           | 124,465   |
| Copier supplies  | 4,200            | 4,197            | 3   |
| Dues and subscriptions                                       | 500              | 513              | (13)  |
| Insurance  | 36,000           | 35,991           | 9   |
| Janitorial   | 6,500            | 6,569            | (69)  |
| Medical  | 1,500            | 1,485            | 15  |
| Meetings and seminars  | 1,000            | 850              | 150   |
| Microfilm expenditures                                       | 4,000            | 3,459            | 541   |
| Microfilm projects   | 275,000          | 52,095           | 222,905   |
| Miscellaneous  | -                | 280              | (280)   |
| Office supplies  | 8,000            | 7,522            | 478   |
| Operating services   | 2,500            | 2,468            | 32  |
| Parking  | 1,000            | 1,024            | (24)  |
| Payroll taxes  | 6,000            | 6,017            | (17)  |

The accompanying notes are an integral part of this statement.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Governmental Fund Type - General Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 1998

Statement C - Continued

|  | <u>Budget</u>      | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|--------------------|------------------|---|
| <b>EXPENDITURES (Continued)</b>          |                    |                  |   |
| Pest control                             | \$ 500             | \$ 480           | \$ 20   |
| Photography project                      | 10,700             | 5,000            | 5,700   |
| Postage                                  | 2,700              | 2,580            | 120   |
| Preservation projects                    | 18,800             | 16,014           | 2,786   |
| Printing                                 | 4,500              | 4,311            | 189   |
| Professional services                    | 36,200             | 29,800           | 6,400   |
| Repairs                                  | 4,500              | 4,206            | 294   |
| State retirement plan cost               | 42,000             | 40,756           | 1,244   |
| Telephone                                | 2,300              | 2,495            | (195)   |
| Travel                                   | 2,500              | 2,783            | (283)   |
| Unemployment                             | 2,000              | 1,838            | 162   |
| Debt service - capital lease<br>payments | <u>20,000</u>      | <u>20,070</u>    | <u>(70)</u>                                     |
| Total Expenditures                       | <u>\$1,104,500</u> | <u>740,747</u>   | <u>363,753</u>                                  |
| <br>                                     |                    |                  |   |
| EXCESS OF REVENUES<br>OVER EXPENDITURES  | -                  | 401,725          | 401,725   |
| <br>                                     |                    |                  |   |
| Fund Balance at<br>Beginning of Year     | -                  | <u>103,301</u>   | <u>103,301</u>                                  |
| <br>                                     |                    |                  |   |
| Fund Balance at<br>End of Year           | -                  | <u>\$505,026</u> | <u>\$505,026</u>                                |

The accompanying notes are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

## INTRODUCTION

The Custodian of Notarial Records of Orleans Parish, State of Louisiana (the Custodian) was created by Act 147 of the Louisiana legislature in 1867. This act stated that a central office be established and provide a custodian to care and discharge the duties of that office. As provided by Louisiana revised statute 35:322, the Custodian is appointed by the Governor for a term of four years. The term of office shall run concurrent with that of the Governor.

The following summary of significant accounting policies of the Custodian is presented to assist in understanding the Custodian's financial statements. The financial statements and accompanying notes are representations of the management of the Custodian, which is responsible for their integrity and objectivity.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying component unit financial statements of the Custodian of Notarial Records of Orleans Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Reporting Entity

The State of Louisiana is the governing authority and the governmental financial reporting entity for the Custodian of Notarial Records of Orleans Parish. The financial reporting entity consists of (a) the primary government (State of Louisiana), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the State of Louisiana for financial reporting purposes.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the State of Louisiana to impose its will on that organization, and/or
  - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State of Louisiana.
2. Organizations for which the State of Louisiana does not appoint a voting majority, but are fiscally dependent on the State of Louisiana.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Custodian's office is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the Governor appoints the Custodian to office, public service is rendered within the state's boundaries and the state has the ability to significantly influence the designation of management. The accompanying financial statements represent activity of the Custodian of Notarial Records of Orleans Parish, and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fund Accounting

The accounts of the Custodian are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Custodian uses a fund (General Fund) and two account groups (General Fixed Assets and General Long-Term Obligations Account Groups) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund, and it is the general operating fund of the Custodian and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

The General Fixed Assets Account Group is used to account for all fixed assets of the Custodian.

The General Long-Term Debt Account Group is used to account for all long-term debt of the Custodian and for those long-term liabilities to be liquidated with resources to be provided in future periods.



**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used by governmental fund types. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities within the current period. Revenues are considered measurable and available when received within 60 days after the current year ended. Revenues susceptible to accrual are the City of New Orleans documentary transaction tax fees and notary fees. Expenditures are generally recorded when the liability is incurred.

5. Budget Practices

The Custodian adopts an annual budget for the General Fund. The original budget for the fiscal year ended June 30, 1998, was advertised on July 30, 1997, and it was adopted thereafter. The budget was prepared and reported on a modified accrual basis of accounting. Formal budget integration is employed as a management control device during the year.

The Custodian reserves all authority to make changes to the budget. The original budget for the fiscal year ended June 30, 1998, was amended on March 10, 1998. Budgeted amounts in the accompanying financial statements include the original budget and all subsequent amendments.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Cash Deposits  
Cash reported on the balance sheet includes amounts in interest and non-interest bearing demand deposits. Under state law, the Custodian may deposit funds with a fiscal agent bank organized under laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States. Louisiana statutes permit the Custodian to invest in United States bonds, treasury notes, certificates, or other obligations and agencies of the U.S. Government which are federally insured, and certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in Louisiana.
7. Receivables  
Receivables are made up of documentary transaction tax fee revenue from the City of New Orleans. These receivables are expected to be collected in full; therefore, no allowance for uncollectible amounts is set up.
8. Fixed Assets  
Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized and reported in the general fixed assets account group. Depreciation is not recorded on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.
9. General Long-Term Debt  
Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Such liabilities include the capital lease obligations.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Annual and Sick Leave

Annual leave of one to three weeks is earned on a calendar year basis depending on the length of service. Annual leave earned must be used within that calendar year and compensation in lieu of any remaining leave time is not available.

Sick leave is earned on a calendar year basis at a rate of one day per month. Any unused accrued sick leave available to the employee at the end of the current calendar year can be carried forward from year to year; however, compensation in lieu of leave time is not available. Accumulated sick leave is not paid upon termination of employment.

11. Fund Equity

Reserves represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Designated fund balance represents tentative plans for future use of financial resources. Such plans are subject to change and may never be legally authorized or result in expenditures.

The Custodian designates the entire fund balance of his office for future microfilming expenditures.

12. Risk Management

The Custodian pays insurance premiums to the State of Louisiana, Office of Risk Management to cover risks that may occur in normal operations. The state pays premiums to the state's self-insurance program and to various insurance agencies for stop-loss coverage.

13. Encumbrances

Encumbrances are not recorded, and therefore, no reservation of fund balance is necessary.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Use of Estimates

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

15. Total Column on Balance Sheet

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 1998, the carrying amount (book balance) of all cash of the Custodian totaled \$532,855, and is listed as follows:

|                                     |                  |
|-------------------------------------|------------------|
| Interest bearing demand deposits    | \$464,033        |
| Noninterest bearing demand deposits | 68,722           |
| Petty cash                          | <u>100</u>       |
| Total                               | <u>\$532,855</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The Custodian had \$557,180 in deposits (collected bank balances). These deposits were secured from risk by \$100,000 of federal depository insurance and \$206,560 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Effective August 7, 1998, the Custodian authorized the custodial bank to increase the pledged securities amount to \$529,185.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Custodian that the fiscal agent has failed to pay deposited funds upon demand.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets during the year is as follows:

|                           | Balance<br><u>7/1/97</u> | <u>Additions</u> | Retire-<br><u>ments</u> | Balance<br><u>6/30/98</u> |
|---------------------------|--------------------------|------------------|-------------------------|---------------------------|
| Furniture and<br>fixtures | \$37,834                 | \$289            | \$30,722                | \$7,401                   |
| Office equipment          | <u>196,150</u>           | <u>15,172</u>    | <u>35,121</u>           | <u>176,201</u>            |
| Total                     | <u>\$233,984</u>         | <u>\$15,461</u>  | <u>\$65,843</u>         | <u>\$183,602</u>          |

For the fiscal year ended June 30, 1998, the Custodian changed the dollar amount of recording fixed assets to \$250 and above. This change resulted in reducing the value of all fixed assets reported on the financial statements and increasing retirements for this fiscal year.

As of June 30, 1998, fixed assets under capital leases amounted to \$58,085, and are included in the office equipment category listed above.

NOTE D - PENSION PLAN

Employees of the Custodian are members of the Louisiana State Employees Retirement System (LASERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability and survivors' benefits to plan members and beneficiaries. Benefits granted by LASERS are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in LASERS, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE D - PENSION PLAN (CONTINUED)

LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the retirement system. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504)922-0608 or (800)256-3000.

The contribution requirements of plan members and the Custodian are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate to equal the actuarially required employer contribution as set forth in Louisiana Revised Statute 11:102.

Funding Policy

Employees are required by state statute to contribute 7.5 percent of their annual covered salaries, and the Custodian is required to make employer contributions based on an actuarially determined rate. The current employer rate is 13.0 percent of annual covered payroll. The Custodian's employer contributions to the System for the years ended June 30, 1998, 1997 and 1996 were \$40,756, \$35,344 and \$43,235, respectively, and these amounts equaled the required contributions for those years.

NOTE E - POSTRETIREMENT HEALTH CARE BENEFITS

The Custodian provides certain continuing health care benefits for retired employees. Substantially all of the Custodian's employees become eligible for these benefits if they reach normal retirement age while working for the Custodian. These benefits for retirees and similar benefits for active employees are provided through the Louisiana State Employee Group Benefits Insurance program, whose monthly premiums are paid jointly by the employee and by the Custodian. The Custodian recognizes the cost of the employer's portion of the insurance premiums of retirees as an expenditure when paid during the year (on a pay-as-you-go basis). For the year ended June 30, 1998, the Custodian's cost of benefits paid for the two retirees in the program totaled \$13,507.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE F - GENERAL LONG-TERM DEBT ACCOUNT GROUP

The Custodian had two capital lease agreements for office equipment as of June 30, 1998. Both monthly lease payments totaled \$1,530. The following is a summary of the long-term obligation transactions for the year ended June 30, 1998:

|   |                 |
|---|-----------------|
| Long-term obligations payable<br>at July 1, 1997  | \$39,804        |
| Increase  | -               |
| Decrease  | <u>(14,387)</u> |
| Long-term obligations payable<br>at June 30, 1998 | <u>\$25,417</u> |

Future minimum lease payments under these capital lease obligations are as follows:

For the year ending June 30:

|                                      |                 |
|--------------------------------------|-----------------|
| 1999                                 | \$17,941        |
| 2000                                 | <u>10,274</u>   |
| Total minimum lease payments         | 28,215          |
| Less amount representing<br>interest | <u>(2,798)</u>  |
| Present value of future payments     | <u>\$25,417</u> |

NOTE G - EXPENDITURES OF THE CUSTODIAN NOT INCLUDED IN THE  
FINANCIAL STATEMENTS

For the year ended June 30, 1998, the Custodian received office space, maintenance on the office space, and certain utilities from the City of New Orleans at no charge. The value of these items are not reflected in the accompanying financial statements.



**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Notes to the Financial Statements  
June 30, 1998

NOTE H - DESIGNATED FUND BALANCE

As of June 30, 1998, the Custodian's fund balance of \$505,026 was designated by the Custodian for future microfilming expenditures and projects.

NOTE I - LITIGATION AND CLAIMS

According to the Custodian, there is no pending litigation or claims against his office as of June 30, 1998.

NOTE J - PER DIEM

The Custodian does not receive any per diem.

**SUPPLEMENTAL INFORMATION SCHEDULES**

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Supplemental Information Schedules  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 1998

**Finding No. 1**

Fiscal Year Finding Initially Occurred: June 30, 1997

Finding Described: An annual physical inventory of fixed assets was not performed and some assets had not been properly tagged and recorded on the inventory list.

Corrective Action and Additional Explanation: A physical inventory was conducted and assets were properly tagged and recorded on the inventory list.

Anticipated Completion Date: Was completed in May, 1998.

**Finding No. 2**

Fiscal Year Finding Initially Occurred: June 30, 1997

Finding Described: The annual budget for the year ended June 30, 1997, was published late and made available for public inspection late.

Corrective Action Taken and Additional Explanation: The annual budget for the year ended June 30, 1998, was published July 30, 1997. At this time it is uncertain if the Custodian's office is subject to the Louisiana Local Government Budget Act. An opinion on this issue will be sought for the June 30, 1999 audit.

The Custodian is required to comply with LARS 35:338, which relates to the office's annual budget.

Anticipated Completion Date: Resolution of issue is pending.

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Supplemental Information Schedules  
Corrective Action Plan for Current Year Audit Findings  
For the Year Ended June 30, 1998

I have issued an unqualified opinion on the component unit financial statements of the Custodian of Notarial Records of Orleans Parish.

As a part of my audit, I performed tests of the Custodian of Notarial Records of Orleans Parish's compliance with certain provisions of laws, regulations and contracts. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. Although not material to the financial statements, the results of my tests indicated the following instances of noncompliance that are also included in a separate letter to management dated September 3, 1998:

**Finding No. 1**

Fiscal Year Finding Initially Occurred: June 30, 1998

Finding Described: In accordance with LARS 35:338, the Custodian shall send a copy of the annual budget to the Legislative Auditor and the Joint Legislative Committee on the Budget. This was not done.

Corrective Action and Additional Explanation: Management will comply with all the provisions of LARS 35:338 in the future.

Anticipated Completion Date: September 3, 1998

**Finding No. 2**

Fiscal Year Finding Initially Occurred: June 30, 1998

Finding Described: Request for bids for the purchase of a specialized type of shelving for the office was not advertised in accordance with LARS 38:2212.

Corrective Action and Additional Explanation: Management has been advised of the necessity to comply with the Public Bid Law and will follow those requirements in the future.

Anticipated Completion Date: September 3, 1998

CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH  
State of Louisiana  
Supplemental Information Schedules  
Corrective Action Plan for Current Year Audit Findings  
(Continued)  
For the Year Ended June 30, 1998

**Finding No. 3**

Fiscal Year Finding Initially Occurred: June 30, 1998

Finding Described: Checks written to the Custodian for his compensation totaled \$44,000 for the fiscal-year period of July 1, 1997 to June 30, 1998. LARS 35:337 notes that the Custodian's compensation shall not exceed \$40,000 per annum. Since the inception of his appointment, the Custodian has been paid on a calendar-year basis.

Corrective Action and Additional Explanation: Management is aware of the timing differences encountered between calendar and fiscal year reporting of the Custodian's compensation, therefore, it will adjust the Custodian's payments from a calendar to a fiscal year-end (June 30) basis. This should keep payments to the Custodian in compliance with LARS 35:337.

Anticipated Completion Date: September 3, 1998

**Finding No. 4**

Fiscal Year Finding Initially Occurred: June 30, 1998

Finding Described: The total bank balances of the Custodian's checking and savings accounts exceeded the total of securities pledged on those accounts by the bank plus the Federal Depositary Insurance Corporation (FDIC) coverage during various times during the fiscal year. LARS 39:1225 requires that the amount of collateral in the form of securities pledged plus FDIC coverage shall at all times be equal to 100% of the total of all bank balances.

Corrective Action and Additional Explanation: Effective August 7, 1998, the Custodian authorized the custodial bank to increase the pledged securities amount to \$529,185. This was sufficient to comply with the requirements of state statutes.

Anticipated Completion Date: August 7, 1998

The contact person for the findings listed above is the Custodian, William L. Pratt.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

KEITH J. ROVIRA

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CERTIFIED PUBLIC ACCOUNTANT  
3331 METAIRIE ROAD  
METAIRIE, LOUISIANA 70001-5297  
(504) 831-4040

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Custodian of Notarial Records of Orleans Parish  
State of Louisiana  
New Orleans, Louisiana

I have audited the component unit financial statements of the Custodian of Notarial Records of Orleans Parish as of and for the year ended June 30, 1998, and have issued my report thereon dated September 3, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the Custodian of Notarial Records of Orleans Parish's component unit financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that I have reported to the Custodian of Notarial Records of Orleans Parish in a separate letter to management dated September 3, 1998.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Custodian of Notarial Records of Orleans Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

This report is intended solely for the use of management and the State of Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the State of Louisiana Legislative Auditor, is a matter of public record.



Keith J. Rovira  
Certified Public Accountant

September 3, 1998



KEITH J. ROVIRA  
CERTIFIED PUBLIC ACCOUNTANT  
3331 METAIRIE ROAD  
METAIRIE, LOUISIANA 70001-5297  
(504) 831-4040

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**MANAGEMENT LETTER**

Custodian of Notarial Records of Orleans Parish  
State of Louisiana  
New Orleans, Louisiana

I have audited the component unit financial statements of the Custodian of Notarial Records of Orleans Parish as of and for the year ended June 30, 1998, and have issued my report thereon dated September 3, 1998. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, I performed tests of the Custodian's compliance with certain provisions of laws and regulations. However, my objective was not to provide an opinion on overall compliance with such provisions.

The attached schedule of noncompliance with laws and regulations includes findings of noncompliance noted as a result of the items tested.

I have already discussed these findings with the Deputy Custodian and have included management's responses after each comment. I will be pleased to discuss these comments with you in further detail at your convenience, or to perform any additional study of these matters.



Keith J. Rovira  
Certified Public Accountant

September 3, 1998

**CUSTODIAN OF NOTARIAL RECORDS  
OF ORLEANS PARISH**  
State of Louisiana  
Management Letter (Continued)  
For the Year Ended June 30, 1998

**Finding No. 1**

In accordance with LARS 35:338, the Custodian shall send a copy of the annual budget to the Legislative Auditor and the Joint Legislative Committee on the Budget. This was not done.

**Management's Response**

Management will comply with all the provisions of LARS 35:338 in the future.

**Finding No. 2**

Request for bids for the purchase of a specialized type of shelving for the office was not advertised in accordance with LARS 38:2212.

**Management's Response**

Management has been advised of the necessity to comply with the Public Bid Law and will follow those requirements in the future.

**Finding No. 3**

Checks written to the Custodian for his compensation totaled \$44,000 for the fiscal-year period of July 1, 1997 to June 30, 1998. LARS 35:337 notes that the Custodian's compensation shall not exceed \$40,000 per annum. Since the inception of his appointment, the Custodian has been paid on a calendar-year basis.

**Management's Response**

Management is aware of the timing differences encountered between calendar and fiscal year reporting of the Custodian's compensation, therefore, it will adjust the Custodian's payments from a calendar to a fiscal year-end (June 30) basis. This should keep payments to the Custodian in compliance with LARS 35:337.

**Finding No. 4**

The total bank balances of the Custodian's checking and savings accounts exceeded the total of securities pledged on those accounts by the bank plus the Federal Depositary Insurance Corporation (FDIC) coverage during various times during the fiscal year. LARS 39:1225 requires that the amount of collateral in the form of securities pledged plus FDIC coverage shall at all times be equal to 100% of the total of all bank balances.

**Management's Response**

Effective August 7, 1998, the Custodian authorized the custodial bank to increase the pledged securities amount to \$529,185. This was sufficient to comply with the requirements of state statutes.