

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1996

INTRODUCTION

The Louisiana Department of Public Service is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Sections 721-725 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The Public Service Commission, consisting of five members who are elected from single-member districts, is the governing body of the department. The members are paid a yearly salary of \$37,800 as set by Louisiana Revised Statute (LSA-R.S.) 45:1162. The commission is charged with the administration, control, and operation of the functions, programs, and affairs of the department as provided by law. The major objective of the commission is to regulate the rates and service practices of the utility and transportation companies located in the State of Louisiana. Its goal is to secure reasonable service for the public at rates that are fair both to the consumers and to the companies. It also applies model standards and promotes compliance through forced registration and highway enforcement. The department has approximately 106 full-time employees, with work locations varying from the main office in Baton Rouge to the various district offices located throughout the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

The State of Louisiana has been determined to be the reporting entity under generally accepted accounting principles. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

A. FUND ACCOUNTING

The department uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 1996

REVENUES

Appropriated by legislature - statutory dedication	<u>\$45,700</u>
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EXPENDITURES

Personal services	3,503,190
Travel	129,875
Operating services	838,637
Supplies	79,178
Professional services	15,790
Other charges	13,107
Capital outlay	211,455
Interagency transfers	15,563
Total expenditures	<u>4,806,795</u>

EXCESS OF EXPENDITURES OVER REVENUES	<u>(4,761,095)</u>
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OTHER APPROPRIATED FINANCING SOURCES (Uses)

Transfers in	5,198,226
Transfers out	(443,102)
Total other appropriated financing sources (uses)	<u>4,755,124</u>

EXCESS OF EXPENDITURES OVER REVENUES AND OTHER SOURCES	(5,971)
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FUND BALANCE (Deficit) AT BEGINNING OF YEAR	(119,003)
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DECREASE IN RESERVE FOR INVENTORY	(7,443)
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ADJUSTMENTS (note 9)	<u>(5,889)</u>
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FUND BALANCE (Deficit) AT END OF YEAR	<u><u>(\$138,306)</u></u>
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The accompanying notes are an integral part of this statement.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-
APPROPRIATED FUNDS

Balance Sheet (Legal Basis), June 30, 1996

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON-APPROPRIATED FUNDS			TOTAL (MEMORANDUM ONLY)
		MAJOR STATE REVENUES AND INCOME NOT AVAILABLE	AGENCY FUND	PAYROLL CLEARING	
ASSETS					
Cash (note 1-C)	\$987,937	\$16,206	\$2,427	\$64,609	\$1,071,179
Accounts receivable		35,693			35,693
Inventory of materials and supplies (note 1-D)	1,404				1,404
TOTAL ASSETS	\$989,341	\$51,899	\$2,427	\$64,609	\$1,108,276
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$41,168				\$41,168
Payroll payable	140,077				140,077
Payroll deductions payable				\$29,281	29,281
Accrued employee benefits				35,328	35,328
Deposits due others			\$2,427		2,427
Advance from state treasury (note 7)	503,300				503,300
Due to other fund - Utility and Carrier Inspection and Supervision Fund	443,102				443,102
Other liabilities		\$51,899			51,899
Total Liabilities	1,127,647	51,899	2,427	64,609	1,246,582
Fund Equity - fund balances:					
Reserved for inventory of materials and supplies (note 1-D)	1,404				1,404
Unreserved - undesignated (note 8)	(139,710)				(139,710)
Total Fund Equity	(138,306)	NONE	NONE	NONE	(138,306)
TOTAL LIABILITIES AND FUND EQUITY	\$989,341	\$51,899	\$2,427	\$64,609	\$1,108,276

The accompanying notes are an integral part of this statement.

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STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Public Service
State of Louisiana
Baton Rouge, Louisiana

December 18, 1996



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

LEGISLATIVE AUDITOR

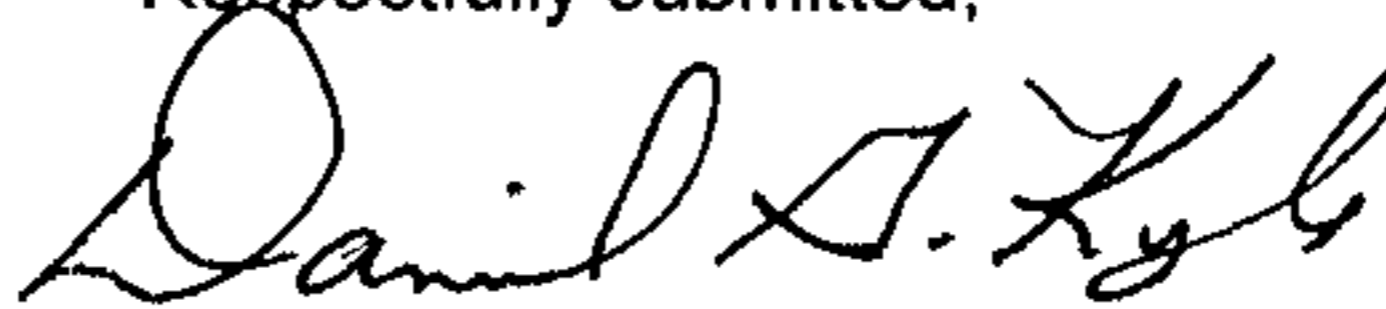
DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Audit Report, June 30, 1996

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 1996, on our consideration of the Department of Public Service's internal control structure and a report dated November 15, 1996, on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the special purpose financial statements of the Department of Public Service. Such information has been subjected to the procedures applied in the audit of the special purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

In accordance with Louisiana Revised Statute 24:516, our report is intended for the information and use of the department and its management and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

ES:THC:dl

[DPS]

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1996
With Supplemental Information Schedules

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DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

GENERAL APPROPRIATION FUND

The General Appropriation Fund accounts for all appropriated revenues, operating expenditures, and minor capital acquisitions.

NON-APPROPRIATED FUNDS

**Major State Revenues and
Income Not Available**

The department collects major state revenues that are remitted to the state treasury for deposit to statutorily dedicated funds. In addition, the department collects funds specifically identified by the Division of Administration, State Budget Office, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B, but are detailed on Schedule 2.

Agency Fund

The agency fund is used to account for assets held on behalf of outside parties, including other governments. The agency fund accounts for fees collected for other states under the Motor Carrier Single State Registration Program.

Payroll Clearing Fund

The Payroll Clearing Fund accounts for payroll deductions and accrued benefits.

The non-appropriated funds relating to major state revenues and income not available, agency, and payroll clearing funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of

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Daniel G. Kyle, Ph.D., CPA, CFE

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**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1996
With Supplemental Information Schedules**

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.

December 18, 1996



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
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November 15, 1996

Independent Auditor's Report
on the Financial Statements

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Department of Public Service. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Public Service. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The general appropriation fund reflects appropriated activities of the department that are part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the financial statements have been prepared in accordance with accounting procedures prescribed by the Office of the Governor, Division of Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles, the purpose of which is to reflect compliance with the annual appropriation act and other state laws and regulations.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Public Service at June 30, 1996, and the transactions of the General Appropriation Fund for the year then ended, on the basis of accounting described in note 1-B.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
NON-APPROPRIATED - PAYROLL CLEARING FUND

Schedule of Changes in Balance
For the Year Ended June 30, 1996

BALANCE AT BEGINNING OF YEAR	\$61,602
ADDITIONS	
Payroll deduction deposits	<u>1,640,883</u>
Total	1,702,485
DEDUCTIONS	
Payroll deduction disbursements	<u>1,637,876</u>
BALANCE AT END OF YEAR	<u><u>\$64,609</u></u>

LEGISLATIVE AUDITOR

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Internal Control Report
November 15, 1996
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the special purpose 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

ES:THC:dl

[DPS]



OFFICE OF
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STATE OF LOUISIANA
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November 15, 1996

Independent Auditor's Report on Internal Control Structure Based
Solely on an Audit of the Special Purpose Financial Statements

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement.

The management of the Department of Public Service is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of special purpose financial statements in accordance with accounting procedures prescribed by the Office of the Governor, Division of Administration. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the special purpose financial statements of the Department of Public Service for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current-Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Appropriated by legislature - other fund sources:			
Utility and Carrier Inspection and Supervision Fund	\$3,727,922	\$3,268,547	(\$459,375)
Motor Carrier Regulation Fund	961,620	961,620	
Supplemental Fee Fund	634,839	570,657	(64,182)
Total appropriated revenues	<u>5,324,381</u>	<u>4,800,824</u>	<u>(523,557)</u>
EXPENDITURES			
Appropriated for:			
Administration	3,058,821	2,788,754	270,067
Utilities	436,858	429,587	7,271
Motor carriers	1,203,098	1,006,922	196,176
Rates, economics, and auditing	625,604	570,658	54,946
Total appropriated expenditures	<u>5,324,381</u>	<u>4,795,921</u>	<u>528,460</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR			
	<u>NONE</u>	<u>\$4,903</u>	<u>\$4,903</u>

The accompanying notes are an integral part of this statement.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
MAJOR STATE REVENUES AND
INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues
For the Year Ended June 30, 1996

NON-APPROPRIATED REVENUE FUND SOURCE	CASH RECEIPTS THROUGH JUNE 30, 1996	ACCOUNTS RECEIVABLE JUNE 30, 1996	TOTAL REVENUE
Income not available - miscellaneous	\$487	\$7	\$494
Major state revenues:			
Motor carrier fees	5,743,163	33,784	5,776,947
Annual report	6,361	100	6,461
Common carrier certificate	8,500		8,500
Contract carrier permit	1,500	150	1,650
Citation	2,100		2,100
Fines - illegal operations	33,828	750	34,578
Late filing	200		200
Lease filing	6,748	125	6,873
Lobbyist registration	190		190
Name change	800		800
Rate application - increase	510		510
Rate application - decrease	10		10
Rate application - utilities	500		500
Rehearing application	800		800
Reinstatement	250		250
Stock transfer	400		400
Sales non-state agency - merchandise and commodities	1,265	60	1,325
Sales non-state agency - services	17,648	217	17,865
Receipts - miscellaneous	14,148	500	14,648
Subtotal - major state revenues	<u>5,838,921</u>	<u>35,686</u>	<u>5,874,607</u>
Total non-appropriated revenues	<u>\$5,839,408</u>	<u>\$35,693</u>	<u>\$5,875,101</u>

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

those resources by the department. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

Revenues

Self-generated revenues and non-appropriated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employee vested annual and sick leave are recognized as expenditures when paid. Furthermore, any expenditure of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

Other Financing Sources

Transfers are recognized in the year the department is authorized to receive or make the transfers.

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 1996**

SCHEDULE OF CHANGES IN BALANCE

Changes in balance for the Non-Appropriated - Payroll Clearing Fund for the year ended June 30, 1996, are presented in Schedule 1.

**SCHEDULE OF NON-APPROPRIATED REVENUES -
MAJOR STATE REVENUES AND INCOME NOT AVAILABLE**

Schedule 2 reflects major state revenues and income not available collected by the department during the year that were not available to the department for expenditure.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

7. ADVANCES FROM STATE TREASURY

The department has received advances from the state treasury for imprest fund operations and working capital totaling \$3,300 and \$500,000, respectively. The advances, as reflected in the accompanying statements, represent a liability of the department and must be repaid if not authorized annually.

8. FUND DEFICIT

The General Appropriation Fund had a deficit of \$139,710 for the year ended June 30, 1996. The deficit was the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that revenues to fund those accruals are appropriated in the subsequent year. The deficit will be resolved by paying for salaries and related benefits from fiscal year 1996 funds appropriated to pay those obligations of the 1995-96 fiscal year.

**9. ADJUSTMENTS TO FUND BALANCE
AT BEGINNING OF YEAR**

The adjustment to the beginning fund balance, as shown on Statement B, was for a prior period adjustment for prior-year expenditures of \$5,889.

10. EXPENDITURES PAID BY OTHERS

Certain professional service expenditures of the department are paid by various companies and/or cooperatives providing public service or utilities in the state. The payment of these expenditures by these public utilities is authorized by LSA-R.S. 45:1180-1181. The services are provided to the department for the purpose of assisting in evaluating and reviewing matters affecting services and rates charged by public utilities to Louisiana consumers and for representing the Public Service Commission in such cases, or the judicial review thereof. These expenditures incurred in the fiscal year ended June 30, 1996, and which are not included in the accompanying financial statements, are summarized as follows:

Attorneys	\$3,157,881
Consultants	<u>1,405,316</u>
Total	<u><u>\$4,563,197</u></u>

11. DEFERRED COMPENSATION PLAN

Certain employees of the department participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

4. JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriations and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

5. LEASE OBLIGATIONS

The department has an operating lease for office space. The annual operating lease payments are presented as follows:

Fiscal Year:	
1996-97	\$352,645
1997-98	276,008
1998-99	163,087
1999-2000	124,995
2000-2001	<u>9,344</u>
Total	<u><u>\$926,079</u></u>

The lease agreement has a non-appropriation exculpatory clause that allows for lease cancellation if the Louisiana Legislature does not make an appropriation for its continuation during any future fiscal years.

6. CHANGES IN AGENCY FUNDS

A summary of changes in assets and liabilities follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Assets - cash	<u>\$1,500</u>	<u>\$795,321</u>	<u>\$794,394</u>	<u>\$2,427</u>
Liabilities:				
Due to other states		\$794,658	\$792,246	\$2,412
Due to others - refunds	<u>\$1,500</u>	<u>663</u>	<u>2,148</u>	<u>15</u>
Total Liabilities	<u>\$1,500</u>	<u>\$795,321</u>	<u>\$794,394</u>	<u>\$2,427</u>

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$276,485 for the General Appropriation Fund. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at June 30, 1996, computed in accordance with GASB Codification Section C60.105, is estimated to be \$156. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

J. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position. Neither is such data comparable to a consolidation.

2. PENSION PLAN

Substantially all employees of the department are members of the Louisiana State Employees Retirement System (LASERS), a multiple-employer, defined benefit pension plan. Required disclosures for the plan for fiscal year 1995-96 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

**3. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1996, the costs of retiree benefits totaled \$27,313.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

revenues on Statement C and accruals of payroll at fiscal year-end are not recognized as expenditures on Statement C. Revenues per Statement B are reconciled with the amounts reflected on the budget comparison, Statement C, as follows:

	<u>Revenues</u>
Amounts per Statement B:	
Revenues - customer-owned coin-operated telephone fines	\$45,700
Transfers in	5,198,226
Transfers out	<u>(443,102)</u>
Amounts per Statement C	<u><u>\$4,800,824</u></u>

Expenditures per Statement B are reconciled with the amounts reflected on the budget comparison, Statement C, as follows:

	<u>Expenditures</u>
Amounts per Statement B	\$4,806,795
Prior-year payroll accrual	128,835
Current-year payroll accrual	<u>(139,709)</u>
Amounts per Statement C	<u><u>\$4,795,921</u></u>

The department is prohibited by statute from over expending the categories established in the general appropriation act. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation of \$5,324,381. There were no amendments to the original budget.

The non-appropriated funds are not subject to budgetary control.

I. LEAVE BENEFITS

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay, but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1996, computed in accordance with the Codification of

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

E. FIXED ASSETS

At June 30, 1996, the department has stewardship responsibility for \$1,065,637 in governmental movable property, valued at historical cost at the time of acquisition. Donated fixed assets, which comprise less than one percent of total assets, are valued at their fair market value on the date donated. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1996</u>
<u>\$947,255</u>	<u>\$183,390</u>	<u>\$65,008</u>	<u>\$1,065,637</u>

Except for not timely reporting all property acquisitions to the Louisiana Property Assistance Agency, the department has complied with Louisiana Revised Statutes (LSA-R.S.) 39:321-332, the movable property statutes of the State of Louisiana.

F. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, judgments, compensated absences, or any other source are not recognized in the accompanying special purpose financial statements.

G. ENCUMBRANCE ACCOUNTING

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because LSA-R.S. 39:82 and the annual appropriation act do not allow the department to charge encumbrances against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. The department has no encumbrances at June 30, 1996.

H. BUDGET PRACTICES

The appropriation made for the general operations of the department is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that transfers in are recognized as



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November 15, 1996

Independent Auditor's Report on Compliance With Laws and
Regulations Material to the Special Purpose Financial Statements

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements, are free of material misstatement.

Compliance with laws and regulations applicable to the Department of Public Service is the responsibility of the department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department of Public Service's compliance with certain provisions of laws and regulations. However, the objective of our audit of the special purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under *Government Auditing Standards*.

Untimely Update of Movable Property Records

The Department of Public Service did not timely update movable property records for items acquired as required by state law. State movable property regulations (Louisiana Administrative Code 34:VII.307.A) require that acquisitions of qualified property be tagged and all pertinent inventory information be forwarded to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of these items.

LEGISLATIVE AUDITOR

DEPARTMENT OF PUBLIC SERVICE

STATE OF LOUISIANA

Compliance Report

November 15, 1996

Page 2

Our tests of movable property acquisitions disclosed the following:

- Of the six vehicles purchased by the department during the year, one vehicle costing \$17,337 was received on June 3, 1996, but was not reported to the LPAA until August 5, 1996, 63 days later.
- Of the department's 94 equipment acquisitions during the year, 20 acquisitions, costing \$33,709 and received during July to September 1995, were not reported to LPAA until August 1996.

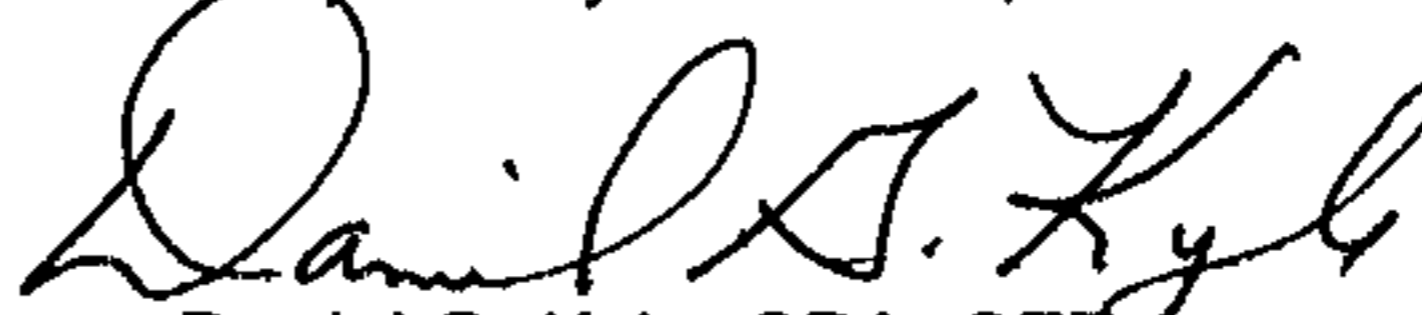
The department did not follow its procedures to ensure that all asset acquisitions were timely reported to the LPAA. Failure to report acquisitions timely increases the risk of inaccuracies in the financial statements of the department and the State of Louisiana and subjects the department to noncompliance with state laws and regulations.

The Department of Public Service should ensure that all property and equipment are reported timely to LPAA as required by the state's movable property regulations. In a letter dated November 7, 1996, Mr. Lawrence St. Blanc, Secretary, concurred with our finding and recommendation. He stated that this situation was caused by several changes in personnel and a temporary vacancy in the position.

We considered this instance of noncompliance in forming our opinion on whether the Department of Public Service's 1996 special purpose (legal basis) financial statements are presented fairly, in all material respects, in conformity with the basis of accounting described in note 1-B, and this report does not affect our report dated November 15, 1996, on those special purpose financial statements.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

ES:THC:dl

[DPS]

EXHIBIT B

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

C. CASH

Cash is composed of the following:

Under control of the department:	
Petty cash (in bank)	\$3,300
Cash in demand account	18,633
Cash on deposit with the state treasury	<u>1,049,246</u>
Total	<u><u>\$1,071,179</u></u>

Cash is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. The department has deposit balances (collected bank balances) of \$26,758 at June 30, 1996, for which the department has control. These deposits are secured fully from risk by \$26,758 of federal deposit insurance (GASB Risk Category 1).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

Means of finance	\$601,061
FACS operating	383,576
Payroll clearing	<u>64,609</u>
Total	<u><u>\$1,049,246</u></u>

D. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories for the General Appropriation Fund of \$1,404 are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department uses a perpetual inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.