

LOUISIANA MOTOR VEHICLE COMMISSION  
 DEPARTMENT OF ECONOMIC DEVELOPMENT  
 STATE OF LOUISIANA

BALANCE SHEET -  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 1996

	Governmental Fund Type	Account Groups			Total (Memorandum Only)
		General Fund	General Fixed Assets	General Long-Term Obligations	
<u>ASSETS AND OTHER DEBITS</u>					
Cash and cash equivalents	\$ 718,193	\$ -0-	\$ -0-	\$ 718,193	
Fixed assets	-0-	215,464	-0-	215,464	
Total Assets	<u>\$ 718,193</u>	<u>\$ 215,464</u>	<u>\$ -0-</u>	<u>\$ 933,657</u>	
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts payable and accrued expenses	\$ 30,265	\$ -0-	\$ -0-	\$ 30,265	
Accumulated annual leave	-0-	-0-	34,297	34,297	
Total Liabilities	<u>30,265</u>	<u>-0-</u>	<u>34,297</u>	<u>64,562</u>	
<u>FUND EQUITY</u>					
Investment in general fixed assets	-0-	215,464	-0-	215,464	
Fund balance - unreserved and undesignated	687,928	-0-	(34,297)	653,631	
Total Fund Equity	<u>687,928</u>	<u>215,464</u>	<u>(34,297)</u>	<u>869,095</u>	
Total Liabilities and Fund Equity	<u>\$ 718,193</u>	<u>\$ 215,464</u>	<u>\$ -0-</u>	<u>\$ 933,657</u>	

The accompanying notes are an integral part of this statement.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED June 30, 1996

	<u>General Fund</u>
<u>Revenues:</u>	
Licenses, permits and fees	\$857,309
Use of money and property - interest earnings	20,241
Other revenue	<u>892</u>
Total Revenues	<u>878,442</u>
<u>Expenditures:</u>	
General government:	
Personal services and related benefits	349,750
Professional services	112,936
Operating services	114,199
Materials and supplies	10,751
Travel and other charges	47,837
Capital outlay	<u>16,115</u>
Total Expenditures	<u>651,588</u>
Excess (Deficiency) of Revenues over Expenditures	226,854
Fund Balance - beginning of year	<u>461,074</u>
Fund Balance - end of year	<u>\$687,928</u>

The accompanying notes are an  
integral part of this statement.

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LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1996  
AND  
INDEPENDENT AUDITOR'S REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 02 1996

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT

STATE OF LOUISIANA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1996

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LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

13- SUBSEQUENT EVENTS

On July 29, 1996, the Commission purchased an office building located in Metairie, Louisiana for \$370,000. After making required modifications to place the property in compliance with all applicable building code requirements, the Commission expects to relocate its operations to Metairie during the fall of 1996.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED June 30, 1996

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
<u>REVENUES:</u>			
Licenses, permits and fees	\$ 660,000	\$857,309	\$197,309
Interest earned	12,000	20,241	8,241
Other revenues	<u>1,000</u>	<u>892</u>	<u>(108)</u>
Total Revenues	<u>673,000</u>	<u>878,442</u>	<u>205,442</u>
<u>EXPENDITURES:</u>			
Personal services and benefits	380,465	349,750	30,715
Professional services	114,210	112,936	1,274
Operating services	127,450	114,199	13,251
Materials and supplies	9,500	10,751	(1,251)
Travel and other charges	41,000	47,837	(6,837)
Capital outlay	<u>405,000</u>	<u>16,115</u>	<u>388,885</u>
Total Expenditures	<u>1,077,625</u>	<u>651,588</u>	<u>426,037</u>
Excess (Deficiency) of Revenues Over Expenditures	(404,625)	226,854	631,479
Fund Balance - beginning of year	<u>461,074</u>	<u>461,074</u>	<u>-0-</u>
Fund Balance - end of year	<u>\$ 56,449</u>	<u>\$687,928</u>	<u>\$631,479</u>

The accompanying notes are an integral part of this statement.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana Motor Vehicle Commission is a component unit of the State of Louisiana created within the Louisiana Department of Economic Development, as provided by Louisiana Revised Statutes 36:109 E (9), 31:1251 et seq. and 6:951 et seq. The Commission is currently composed of fourteen members, as amended by Acts 1995, No. 51, §1 of the Louisiana Legislature (effective June 9, 1995), who are appointed by and serve at the pleasure of the Governor, and is charged with the responsibility of regulating all areas of the new car industry, including motor vehicle sales finance companies, operating in Louisiana. Operations of the Commission are funded with license fees, fines and interest income. The governmental reporting entity is the State of Louisiana.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

The Louisiana Motor Vehicle Commission prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration -Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The accounts of the Louisiana Motor Vehicle Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

General Fund

The General Fund is the principal fund and is used to account for the general operations of the Commission. The various license fees and charges due the Commission are accounted for in this fund. General operating expenditures are paid from this fund.

B. General Fixed Assets and General Long-Term Obligations

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term obligations expected to be financed from governmental funds are accounted for in the General Long-Term Obligation Account Group, not in the governmental funds. The only long-term obligation of the Commission is for accrued annual leave.

The two account groups are not "funds". They are concerned only with the measurement of financial position, not with measurement of results of operations.



LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Commission's records are maintained on the modified accrual basis of accounting using the following practices:

Revenues

License fees are received at the beginning of the licensee's annual license period. License fees, as well as other revenues, are reported when received. Interest income on short-term investments is recognized as it is earned.

Expenditures

Expenditures are generally recognized when paid. Compensation, professional fees and other obligations incurred as of June 30, 1996, for services provided during the fiscal year have also been recognized as expenditures in the current year.

2 - BUDGET PRACTICES

Annually, the Commission adopts a budget that is submitted to the Department of Economic Development in compliance with LSA-R.S. 36:803. The budget, adopted on January 9, 1995, was prepared and reported using the same accounting procedures and practices that are used in preparing the annual financial statements. Appropriations lapse at year-end. Budgeted amounts included in the accompanying financial statements represent the original adopted budget with one subsequent amendment, approved by the Board on January 22, 1996. The Board does not employ the use of encumbrance accounting for the operations of its activities.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

2 - BUDGET PRACTICES (Continued)

Substantial budget variances for the year ended June 30, 1996 are explained as follows:

<u>Title</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Comments</u>
Licenses, Permits and Fees	\$197,309	During fiscal year ended June 30, 1996, LSA-R.S. 1254 (H) (1) changed to provide for the issuance of licenses by Commission districts. Thus many licensees renewal licenses were relocated to a new district which lengthened their license period and therefore the corresponding fees for the period increased which was more than anticipated in the preparation of the budget. LSA-R.S. 1254 (I) was changed to provide for an increase in license fees. Some of these fees were included in the preparation of the budget, but there was an increase in the number of Sales Finance licenses, Lessor licenses and Salesmen licenses which were not anticipated in the preparation of the budget. Also, the Commission collected approximately \$50,000 more in fines and penalties during fiscal year ended June 30, 1996 than anticipated in the preparation of the budget.
Personal Services and Benefits	\$ 30,715	Certain staff position budgeted to be filled during the fiscal year ended June 30, 1996 were unfilled for the entire year.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

2 - BUDGET PRACTICES (Continued)

Capital Outlay	\$388,885	The purchase of a new building did not take place during fiscal year ended June 30, 1996 which was anticipated in the preparation of the budget.
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3 - CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits, and certificates of deposit. Under state law the Commission may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Commission may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

At June 30, 1996, the carrying amount of the Commission's deposits was \$718,093 and the bank balance was \$720,463. Of the bank balance, \$510,000 was covered by federal depository insurance and \$201,063 was covered by collateral held by the New Orleans branch of the Federal Reserve Bank in the Commission's name.

Certificates of deposit at June 30, 1996 consist of the following:

<u>Depository</u>	<u>Date of</u> <u>Origin</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Accrued</u> <u>Interest</u>
Premier Bank	05/02/96	10/29/96	4.21%	\$ 90,000	\$ 613
Argent Bank	04/15/96	07/14/96	4.82%	90,000	903
Jefferson Guaranty Bank	06/19/96	07/19/96	2.75%	50,000	41
Bank of Commerce	06/18/96	07/18/96	3.65%	90,000	108
First Republic Bank	06/27/96	07/27/96	3.50%	90,000	285
Totals				<u>\$410,000</u>	<u>\$1,950</u>

Certificates of deposit are insured by the Federal Deposit Insurance Corporation.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

3 - CASH AND CASH EQUIVALENTS (Continued)

As reflected on the balance sheet, the Commission had cash and cash equivalents totaling \$718,193 at June 30, 1996. Cash and cash equivalents are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1996 were secured as follows:

	<u>Cash Equivalents</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Carrying Amount on Balance Sheet	<u>\$306,243</u>	<u>\$411,950</u>	<u>\$718,193</u>
Bank Balances:			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>\$301,063</u>	<u>\$410,000</u>	<u>\$711,063</u>
2. Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
3. Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	<u>9,400</u>	<u>-0-</u>	<u>9,400</u>
TOTAL Bank Balances	<u>\$310,463</u>	<u>\$410,000</u>	<u>\$720,463</u>

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

4 - VACATION AND SICK LEAVE

The Louisiana Motor Vehicle Commission has the following policy related to vacation and sick leave:

Employees earn vacation and sick leave at rates established by the Louisiana Department of Civil Service. The rate varies from twelve days of vacation time and twelve days of sick leave per year for new employees up to twenty four days of each for employees with over fifteen years of service. Employees can carry over unused time indefinitely. Upon termination of employment, the Louisiana Motor Vehicle Commission is obligated to pay the employee at their current hourly rate for all unused vacation time up to 300 hours.

At June 30, 1996, employees of the Commission had accumulated and vested \$34,297 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$-0- is recorded as an obligation of the General Fund and \$34,297 is recorded within the General Long-Term Obligation Account Group because the Commission does not expect to pay it out of current resources. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

5 - 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.

Since the Louisiana Motor Vehicle Commission consists of only one fund, no memorandum totals are presented on the Statement of Revenues, Expenditures and Changes in Fund Balance or the Statement of Revenues, Expenditures and Fund Balance - Budget (GAAP Basis) and Actual.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

6 - CHANGES IN GENERAL FIXED ASSETS

The changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Furniture and Equipment	\$138,582	\$ 5,265	\$ -0-	\$143,847
Automobiles	60,767	-0-	-0-	60,767
Office Building	<u>-0-</u>	<u>10,850</u>	<u>-0-</u>	<u>10,850</u>
Totals	<u>\$199,349</u>	<u>\$16,115</u>	<u>\$ -0-</u>	<u>\$215,464</u>

7 - EMPLOYEE PENSION PLAN

Substantially all employees of the Commission are members of the Louisiana State Employees Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature. In addition to the employee contribution withheld at 7.5% of covered payroll, the Commission contributes an additional 12.0% of covered payroll. Contributions to the System are funded through employee and employer contributions of \$19,010 and \$30,416, respectively. The Commission contributed \$30,416, \$27,644 and \$21,482 to the System for the years ended June 30, 1996, 1995 and 1994, respectively, which represented 100% of the required contribution for each year. The total current year payroll of the Commission was \$288,641 and its current year payroll covered by the System was \$253,469. Under present statutes, the Commission does not guarantee any of the benefits granted by the System.

# DERBES & COMPANY

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HUGH J. POSNER, C.P.A.\*

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## INDEPENDENT AUDITOR'S REPORT

Louisiana Motor Vehicle Commission  
Department of Economic Development  
New Orleans, Louisiana

We have audited the accompanying financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Motor Vehicle Commission. 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, **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Louisiana Motor Vehicle Commission, and are not intended to present fairly the financial position of the State of Louisiana and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In accordance with **Government Auditing Standards**, we have also issued a report dated August 13, 1996 on our consideration of the Commission's internal control structure and a report dated August 13, 1996 on its compliance with laws and regulations.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

10- CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

Accumulated annual leave at June 30, 1995	\$33,354
Additions	943
Deductions	<u>-0-</u>
Accumulated annual leave at June 30, 1996	<u>\$34,297</u>

Many of the Commission's employees have accumulated annual leave in excess of the 300 hour maximum referred to in Note 4. Therefore, increases in accumulated annual leave arise primarily from annual increases in hourly wage rates applied to the hours accumulated.

11- LITIGATION AND CLAIMS

At June 30, 1996, the Commission was not involved in any litigation and was not aware of any claims which would not be covered by insurance as provided by coverages self-insured by the Louisiana Department of Risk Management. Claims and litigation costs of \$89,329 were incurred in the current year and recorded as a current year expenditure in the general fund.

12- COMMITMENTS AND CONTINGENCIES

As referred to in Note 1, the Commission is composed of fourteen members who are appointed by and serve at the pleasure of the Governor. Due to the enactment of Act 51 of the 1995 Legislative Session, the fourteen members were appointed or reappointed to the Commission in August of 1995. The Louisiana Constitution set forth all (re)appointments must be confirmed by the Senate prior to the close of the regular legislative session. Only three members were confirmed. LSA-R.S. 24:14 G. reads, "The appointment of any appointee who is not confirmed by the Senate or who is not submitted to the Senate for confirmation during the regular session shall expire at the end of the regular session and a vacancy shall be immediately created for that position. The appointee shall not be appointed to the same office during any recess of the legislature." Therefore, eleven (11) vacancies occurred effective June 12, 1996.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Motor Vehicle Commission of the State of Louisiana as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Derbes & Company*

August 13, 1996

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## ACCOUNTANTS' REPORT ON SUPPLEMENTARY DATA

We have reported separately herein on the basic financial statements of the Louisiana Motor Vehicle Commission. The supplementary information included in the Schedule of Compensation of Commission Members has been subjected to the same auditing procedures and, in our opinion, is stated fairly in all material respects when considered in conjunction with the basic financial statements taken as a whole.



August 13, 1996

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

SCHEDULE OF COMPENSATION OF COMMISSION MEMBERS  
FOR THE YEAR ENDED June 30, 1996

	<u>Meetings Attended</u>	<u>Compensation</u>
Robert W. Benson, Jr.	16	\$ 800
Robert E. Coleman	11	550
Donald E. Shetler	12	600
Raymond J. Brandt	13	650
William W. Watson, Jr.	-0-	-0-
Maurice C. Guidry	17	850
Arthur W. Tait	22	1,100
L. Steve Graves	15	750
Jack M. Butler	15	750
Jacob G. Drago	14	700
Terry G. McFillen	16	800
George M. Riley	-0-	-0-
Ernest A. Burguieres	-0-	-0-
Linda C. Hobbs	-0-	-0-
	<u>151</u>	<u>\$7,550</u>

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Louisiana Motor Vehicle Commission  
Department of Economic Development  
New Orleans, Louisiana 70112

We have audited the financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards, **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**. 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, regulations and contracts applicable to the Louisiana Motor Vehicle Commission is the responsibility of the Commission. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the 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 no material instances of noncompliance that are required to be reported under **Government Auditing Standards**.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Commission in a separate letter dated August 13, 1996.

This report is intended for the information of management, the Department of Economic Development, the Legislative Auditor of the State of Louisiana, and the Office of Statewide Reporting and Accounting Policy. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Derbes Company*

August 13, 1996

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Louisiana Motor Vehicle Commission  
Department of Economic Development  
New Orleans, Louisiana

We have audited the financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards, **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Louisiana Motor Vehicle Commission 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 financial statements in accordance with generally accepted accounting principles. 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 financial statements of the Louisiana Motor Vehicle Commission for the year ended June 30, 1996, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the Department of Economic Development, the Legislative Auditor of the State of Louisiana, and the Office of Statewide Reporting and Accounting Policy. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



August 13, 1996

# DERBES & COMPANY

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ACCOUNTING CORPORATION

August 13, 1996

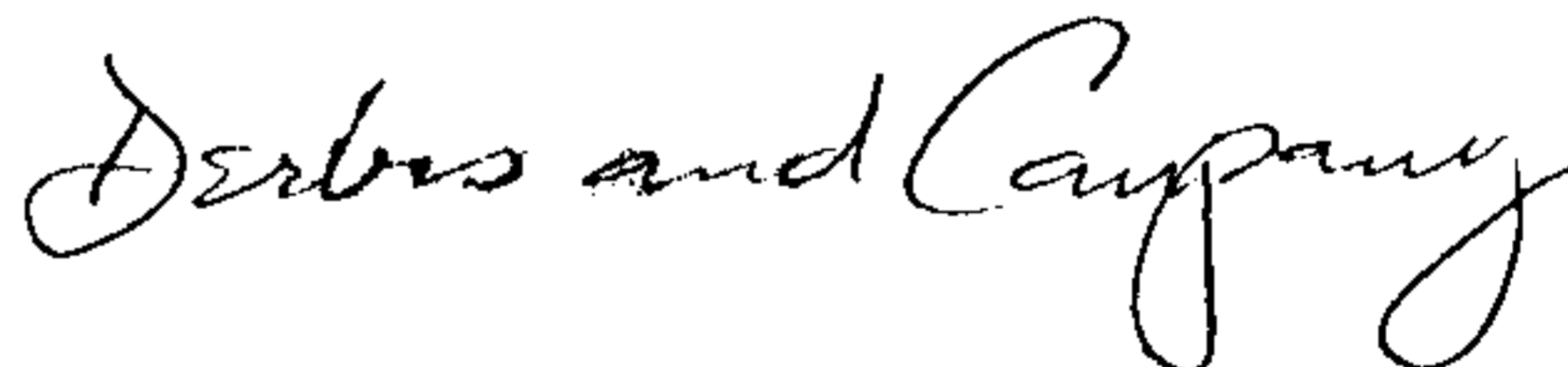
Louisiana Motor Vehicle Commission  
Department of Economic Development  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the Louisiana Motor Vehicle Commission (the Commission), a component unit of the State of Louisiana, for the year ended June 30, 1996, we considered the Commission's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Additionally, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls, compliance with laws, regulations and contracts, and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Commission's internal control structure and compliance with laws, regulations and contracts in our report dated August 13, 1996. This letter does not affect our report dated August 13, 1996, on the financial statements of the Louisiana Motor Vehicle Commission, a component unit of the State of Louisiana.

We have already discussed many of these comments and suggestions with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Very truly yours,



DERBES & COMPANY



LOUISIANA MOTOR VEHICLE COMMISSION  
JUNE 30, 1996

The results of our test work disclosed the following area for which opportunities for strengthening compliance with laws, regulations and contracts exists:

1. Comment

As disclosed in Note 3 of the financial statements, at June 30, 1996 deposits held by the Whitney National Bank were undercollateralized by \$9,400. LSA-R.S. 39:1225 requires that "the amount of the security shall at all times be equal to 100% of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States."

Recommendation

We recommend that the Commission develop a system to monitor the amount of collateral pledged against deposits (bank balances as well as book balances) on a regular basis. We recognize that this was an isolated incident caused by uncertainty as to the date for the act of sale of the Commission's building, which was subsequently purchased on July 29, 1996.

Management Response

We concur with this comment and will implement the recommendation during the fiscal year ending June 30, 1997.

The results of our test work disclosed the following in reference to the management letter issued August 2, 1995 in conjunction with the audit of the Louisiana Motor Vehicle Commission as of and for the year ended June 30, 1995:

1. Use of computer system - The Commission began issuing computer-generated checks for payroll and non-payroll disbursements on July 1, 1996. We also noted that use of the accounts payable module was expanded during the fiscal year ended June 30, 1996.
2. Need for updated computer manual - We noted that the computer manual was updated during the fiscal year ended June 30, 1996.

3. Payroll reports not being routinely generated - We noted that all quarterly payroll reports needed to reconcile payroll and quarterly payroll tax returns were generated and retained during the fiscal year ended June 30, 1996.
4. Follow-up on "out of balance" items - We noted no such incidence during the current year audit.

LOUISIANA MOTOR VEHICLE COMMISSION  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

7 - EMPLOYEE PENSION PLAN (Continued)

All full-time Commission employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 per cent of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's 1996 comprehensive annual financial report which is separately issued. Benefits granted by the System are guaranteed by the State of Louisiana under the Louisiana Constitution of 1974.

8 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Commission provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Commission employees become eligible for those benefits if they reach normal retirement age while working for the Commission. Those 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 by the Commission. The Commission's cost 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 \$7,191.

9 - LEASE

The Louisiana Motor Vehicle Commission occupies leased premises at 234 Loyola Avenue, Suite 1014, New Orleans, Louisiana on a month-to-month basis. The lease requires monthly rental payments of \$3,258. All taxes, utilities and building maintenance are paid by the lessor. Rent expense for the year ended June 30, 1996 was \$39,096.