

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

Balance Sheet (Legal Basis), June 30, 1996

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED - PAYROLL CLEARING	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
Cash (note 1-C)	\$527,330	\$94,437	\$621,767
Receivables - fees and self-generated revenues	212,370		212,370
Due from others (note 2)	38,210		38,210
Inventories of material and supplies (note 1-D)	239,189		239,189
<b>TOTAL ASSETS</b>	<b>\$1,017,099</b>	<b>\$94,437</b>	<b>\$1,111,536</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Payables (note 3)	\$707,710	\$94,437	\$802,147
Advance from state treasury (note 8)	7,000		7,000
<b>Total Liabilities</b>	<b>714,710</b>	<b>94,437</b>	<b>809,147</b>
Fund Equity - fund balances:			
Reserved for inventories of materials and supplies (note 1-D)	239,189		239,189
Unreserved - undesignated (note 9)	63,200		63,200
<b>Total Fund Equity</b>	<b>302,389</b>	<b>NONE</b>	<b>302,389</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$1,017,099</b>	<b>\$94,437</b>	<b>\$1,111,536</b>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF STATE  
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 Schedule

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

Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

Original approved budget - Act 16 of 1995	\$11,704,644
Increases:	
State General Fund - elections	468,231
Interagency transfers - archives and records	<u>129,798</u>
Total	<u><u>\$12,302,673</u></u>

4. 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 and sick leave payable at June 30, 1996, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$404,776. The leave payable is not recorded in the accompanying financial statements.

Certain employees of the department are eligible to earn compensatory time, as defined by the Department of 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 \$17,095. 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.

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

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 cost of retiree benefits totaled \$78,905.

**6. 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 appropriation 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.

**7. INSTALLMENT PURCHASES**

During 1996, the department participated in a number of installment purchase agreements with various vendors for the purchase of equipment. The following is a summary of installment purchases of the department for the year ended June 30, 1996:

Balance at July 1, 1995	\$74,999
Installment purchases in 1996	583,913
Installment payments in 1996	<u>(458,138)</u>
Installment purchases payable at June 30, 1996	<u><u>\$200,774</u></u>

The following is a summary of future minimum installment payments as of June 30, 1996:

Year ending June 30:	
1997	\$114,186
1998	78,346
1999	<u>19,088</u>
Total minimum lease payments	211,620
Less - amount representing interest	<u>(10,846)</u>
Present value of net minimum lease payments	<u><u>\$200,774</u></u>

All installment purchase agreements have non-appropriation exculpatory clauses that allow for cancellation if the Louisiana Legislature does not make an appropriation for their continuation

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

during any future fiscal period. The liability for installment purchases is not recorded in the accompanying financial statements.

**8. ADVANCE FROM STATE TREASURY**

The department has received an advance from the state treasury for petty cash imprest fund operations totaling \$7,000. The advance, as reflected in the accompanying statements, represents a liability to the department and must be repaid if not annually authorized.

**9. UNRESERVED - UNDESIGNATED  
FUND BALANCE**

As shown on Statement A, at June 30, 1996, the department has an unreserved - undesignated fund balance of \$63,200. Under provisions of the annual appropriation act, this amount, after adjustment, should be lapsed in the state treasury.

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

Adjustments to the beginning fund balance of the General Appropriation Fund, as shown on Statement B, are detailed as follows:

Adjustment of prior-year payables	(\$1,380)
Surplus remitted to General Fund	(845,390)
Prior-year payroll accrual adjustment	<u>282</u>
Total	<u><u>(\$846,488)</u></u>



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

**11. OTHER CHARGES**

In accordance with instructions of the Division of Administration, State Budget Office, certain expenditures of the department are designated as other charges. The other charges expenditures, as shown on Statement B, are detailed as follows:

Printing	\$2,393,691
Audit fees	<u>30,037</u>
Total	<u>\$2,423,728</u>

Under generally accepted accounting principles, these expenditures would have been recognized within their proper expenditure categories and objects.

**12. 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.

**13. INCOME NOT AVAILABLE**

During 1996, the department collected \$92,589 identified by the Division of Administration, State Budget Office, as income not available that were remitted to the state treasury:

Election fees	\$80,895
Microfilm	<u>11,694</u>
Total	<u>\$92,589</u>

**14. FOUNDATION**

The accompanying financial statements do not include the accounts of the Old State Capitol Foundation. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

**DEPARTMENT OF STATE  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
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 on Schedule 1.

**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.



LEGISLATIVE AUDITOR

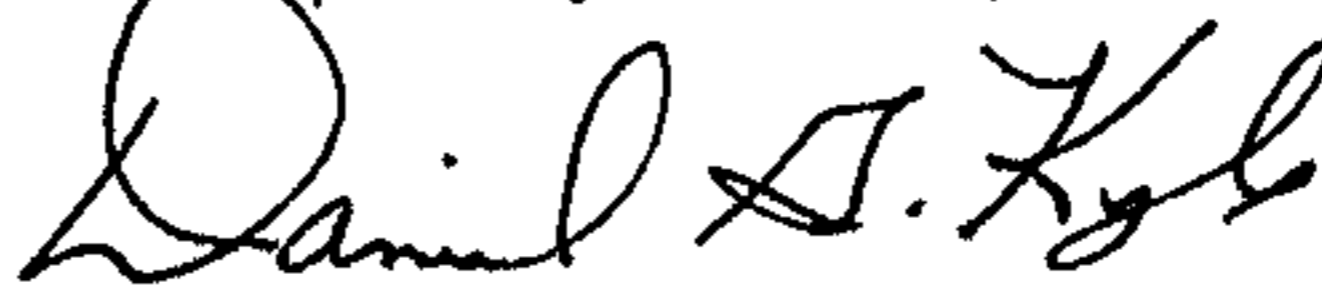
HONORABLE W. FOX MCKEITHEN  
SECRETARY OF STATE  
DEPARTMENT OF STATE  
STATE OF LOUISIANA  
Internal Control Report  
October 18, 1996  
Page 2

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.

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 specific 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 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

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[DOS]



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

DANIEL G. KYLE, PH.D., CPA, CFE  
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October 18, 1996

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

**HONORABLE W. FOX MCKEITHEN**  
**SECRETARY OF STATE**  
**DEPARTMENT OF STATE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of State, a department within the State of Louisiana reporting entity, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 18, 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 State 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's compliance with certain provisions of laws and regulations. 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 instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

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,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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[DOS]

**EXHIBIT B**

**DEPARTMENT OF STATE  
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 Schedule**

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.

November 27, 1996

LEGISLATIVE AUDITOR

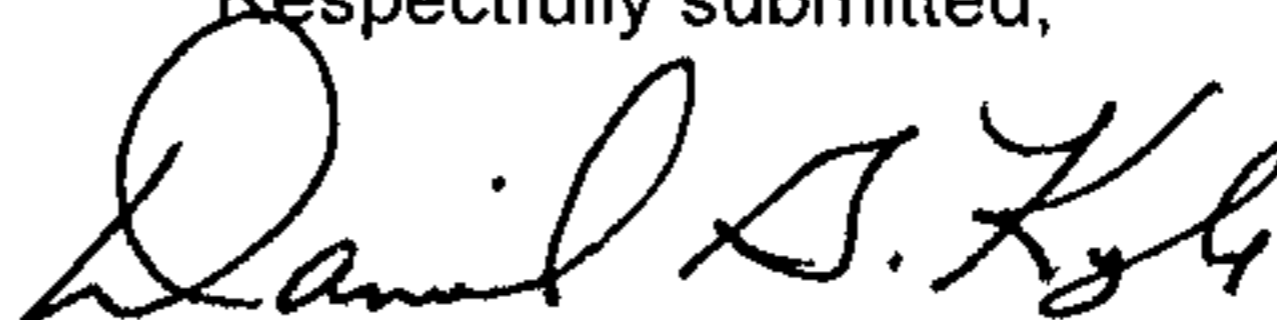
HONORABLE W. FOX MCKEITHEN  
SECRETARY OF STATE  
DEPARTMENT OF STATE  
STATE OF LOUISIANA  
Audit Report, June 30, 1996

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 1996, on our consideration of the Department of State's internal control structure and a report dated October 18, 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 of the Department of State taken as a whole. The accompanying supplemental information schedule is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is stated fairly in all material respects in relation to the 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

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

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

<b>BALANCE AT BEGINNING OF YEAR</b>	\$97,584
<b>ADDITIONS</b>	
Payroll deduction deposits	<u>2,526,943</u>
Total	2,624,527
<b>DEDUCTIONS</b>	
Payroll deduction disbursements	<u>2,530,090</u>
<b>BALANCE AT END OF YEAR</b>	<u><u>\$94,437</u></u>

DEPARTMENT OF STATE  
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:

State General Fund	\$2,998,931
State General Fund by:	
Fees and self-generated revenues	8,028,317
Interagency transfers	463,618
Total revenues	<u>11,490,866</u>

## EXPENDITURES

Personal services	5,137,190
Travel	26,824
Operating services	3,043,167
Supplies	240,719
Professional services	320
Other charges (note 11)	2,423,728
Capital outlay	247,717
Interagency transfers	110,300
Total expenditures	<u>11,229,965</u>

EXCESS OF REVENUES OVER EXPENDITURES	260,901
FUND BALANCE AT BEGINNING OF YEAR	896,957
DECREASE IN RESERVE FOR INVENTORY	(8,981)
ADJUSTMENTS (note 10)	<u>(846,488)</u>
FUND BALANCE AT END OF YEAR	<u><u>\$302,389</u></u>

The accompanying notes are an integral part of this statement.

DEPARTMENT OF STATE  
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>
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$2,998,931	\$2,998,931	
State General Fund by:			
Fees and self-generated revenues	8,899,944	8,028,317	(\$871,627)
Interagency transfers	403,798	463,618	59,820
Total appropriated revenues	<u>12,302,673</u>	<u>11,490,866</u>	<u>(811,807)</u>
<b>EXPENDITURES</b>			
Appropriated for:			
Administrative	3,611,783	3,347,297	264,486
Commercial	1,802,354	1,801,693	661
Archives and records	1,918,110	1,918,087	23
Museum/other operations	1,683,600	1,101,202	582,398
Elections	3,286,826	3,062,714	224,112
Total appropriated expenditures	<u>12,302,673</u>	<u>11,230,993</u>	<u>1,071,680</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>	<u>NONE</u>	<u>\$259,873</u>	<u>\$259,873</u>

The accompanying notes are an integral part of this statement.



**DEPARTMENT OF STATE  
STATE OF LOUISIANA**

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

**INTRODUCTION**

The Department of State is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Chapter 26 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. As provided by Article IV, Section 7 of the Louisiana Constitution of 1974, the secretary of state certifies all official documents of the Louisiana Legislature, governor, commissions, et cetera; administers the state corporation laws; compiles and promulgates the official returns of elections for statewide offices; and prints and distributes certain official publications of the state. The Archives and Records Division serves as the official depository of the records and documents of various state agencies, departments, and political subdivisions. Its 180 full-time employees serve the public from the executive offices located in the State Capitol and the State Archives Building in Baton Rouge and from the Louisiana State Exhibit Museum in Shreveport. The Old State Capitol in Baton Rouge is also under the jurisdiction of the secretary of 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 of State uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations 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

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

**2. DUE FROM OTHERS**

The following is a summary of amounts due from others for the General Appropriation Fund at June 30, 1996:

Due from other agencies - interagency transfers:	
Office of Community Services	\$27,622
Division of Administration	1,274
Department of Education	952
LSU Student Health Center	1,838
Department of Public Service	4,243
St. Charles Parish School Board	887
Miscellaneous	<u>1,394</u>
Total	<u><u>\$38,210</u></u>

**3. PAYABLES**

The following is a summary of payables at June 30, 1996:

	Accounts Payable	Payroll Deductions Payable	Accrued Employee Benefits	Accrued Payroll	Total
General appropriation	\$512,082			\$195,628	\$707,710
Non-appropriated - payroll clearing		<u>\$43,864</u>	<u>\$50,573</u>		<u>94,437</u>
Total	<u><u>\$512,082</u></u>	<u><u>\$43,864</u></u>	<u><u>\$50,573</u></u>	<u><u>\$195,628</u></u>	<u><u>\$802,147</u></u>

**4. 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 1996 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.

**5. 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

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

conventional fund types of generally accepted accounting principles. 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 of the department.

**NON-APPROPRIATED FUNDS**

**Income Not Available**

The Department of State 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 in note 13.

**Payroll Clearing Fund**

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

The non-appropriated 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 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,

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

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**

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues, interagency transfers, 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 employees' vested annual and sick leave are recorded 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.

**C. CASH**

Cash is composed of the following:

Under control of the department - petty cash (on hand and in banks)	\$7,473
Cash on deposit with the state treasury	<u>614,294</u>
Total	<u><u>\$621,767</u></u>

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



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

deposit with the fiscal agent. The department has deposit balances (collected bank balances) of \$7,473 at June 30, 1996, for which the department has control. These deposits are fully secured from risk by 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	\$173,520
FACS operating	346,337
Payroll clearing	<u>94,437</u>
 Total	 <u><u>\$614,294</u></u>

**D. INVENTORIES OF MATERIALS AND SUPPLIES**

Inventories, consisting of office supplies stored at the Archives Building and election supplies and materials stored and maintained on the premises of an outside vendor, are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department and the vendor use periodic inventory systems and employ the first-in, first-out valuation method using the most recent cost of the inventory items, which approximates market. Reported inventories of \$239,189 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.

**E. GENERAL FIXED ASSETS**

At June 30, 1996, the department has stewardship responsibility for \$3,743,378 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
<u>\$3,007,648</u>	<u>\$812,839</u>	<u>\$77,109</u>	<u>\$3,743,378</u>

The department has complied with Louisiana Revised Statutes (LSA-R.S.) 39:321-332 relating to movable property.

**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 installment purchases, 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 ensure 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 at year-end against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. The department has encumbrances of \$465,006 at June 30, 1996.

**H. BUDGET PRACTICES**

The appropriation made for the general operations of the department is an annual lapsing appropriation and is recorded in the General Appropriation Fund.

1. The budget process for the general appropriation is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that salaries and related benefits are recognized when paid on Statement C. The expenditures of the department, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B expenditures	\$11,229,965
Add - prior-year payroll accrual	196,656
Less - current-year payroll accrual	<u>(195,628)</u>
Statement C expenditures	<u><u>\$11,230,993</u></u>

2. The department is prohibited by statute from over expending the program levels established in the general appropriation act.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim



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October 18, 1996

Independent Auditor's Report  
on the Financial Statements

**HONORABLE W. FOX MCKEITHEN**  
**SECRETARY OF STATE**  
**DEPARTMENT OF STATE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of State, 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 State. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of State. 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. 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 acts and other state laws and regulations.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of State 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.



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# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of State  
State of Louisiana  
Baton Rouge, Louisiana

November 27, 1996



***Financial and Compliance Audit Division***

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

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October 18, 1996

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

**HONORABLE W. FOX MCKEITHEN**  
**SECRETARY OF STATE**  
**DEPARTMENT OF STATE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of State, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 18, 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 State 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, which is a comprehensive basis of accounting other than generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors and/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 State 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

**EXHIBIT A**