

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA

Schedule of Compensation Paid Riverboat
Gaming Commission Members
For the Year Ended June 30, 1996

	<u>AMOUNT</u>
Sam A. Gilliam	\$5,000
Veronica E. Henry	5,000
Georgia P. Kosmitis, Chairman	6,750
Edward L. Krielow	5,000
Floyd J. Landry	5,000
Brenda J. Roberts	5,000
Randell E. Threadway, Chairman	<u>5,750</u>
Total	<u><u>\$37,500</u></u>

Statement A

APPROPRIATED							
AGENCY FUNDS							
COLLECTIONS OF DELINQUENT STUDENT LOANS	CONTINUING LEGAL EDUCATION	ESCROW SETTLEMENT	JUSTICES OF THE PEACE AND CONSTABLES ACTIVITY	NONPUBLIC SCHOOLS ESCROW	PAYROLL CLEARING	INCOME NOT AVAILABLE	TOTAL (MEMORANDUM ONLY)
\$99,313	\$6,213	\$25,427	\$14,776	\$4,971,662	\$291,880		\$12,236,627
							364,297
						\$5,896	509,273
							231,667
							11,752
<u>\$99,313</u>	<u>\$6,213</u>	<u>\$25,427</u>	<u>\$14,776</u>	<u>\$4,971,662</u>	<u>\$291,880</u>	<u>\$5,896</u>	<u>\$13,353,616</u>
					\$291,880		\$1,776,215
							4,550,000
						\$5,896	5,896
							1,869,280
<u>\$99,313</u>	<u>\$6,213</u>	<u>\$25,427</u>	<u>\$14,776</u>	<u>\$4,971,662</u>			<u>5,117,391</u>
<u>99,313</u>	<u>6,213</u>	<u>25,427</u>	<u>14,776</u>	<u>4,971,662</u>	<u>291,880</u>	<u>5,896</u>	<u>13,318,782</u>
							11,752
							106,973
							(83,891)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>34,834</u>
<u>\$99,313</u>	<u>\$6,213</u>	<u>\$25,427</u>	<u>\$14,776</u>	<u>\$4,971,662</u>	<u>\$291,880</u>	<u>\$5,896</u>	<u>\$13,353,616</u>

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

Original approved budget	\$19,364,374
Increase for:	
Preamble adjustments	2,871,659
Prior-year carry forward	41,910
Federal funds	67,736
Statutory dedications	2,231,338
Less - current-year carry forward	<u>(1,060,989)</u>
 Total budget amount	 <u><u>\$23,516,028</u></u>

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 is used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1996, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is \$1,006,969. 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 Justice Policy Manual and the Fair Labor Standards Act. The employees can earn and accumulate one hour for each hour of overtime worked, depending on their job classification, and are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. Upon termination, employees are compensated for unused compensatory leave depending upon their rate of pay. The liability for accrued compensatory leave at June 30, 1996, is \$12,823. The leave payable is not recorded in the accompanying special purpose financial statements.

J. TOTAL COLUMNS ON STATEMENTS

The total columns on the financial statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

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

1. The budget process for the General Appropriation Fund 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 transfers in and out and funds carried forward from the prior year are recognized as revenues on Statement C, while federal receivables attributable to the payroll accrual at fiscal year-end are not recognized as revenues on Statement C. In addition, salaries and related benefits are recognized when paid on Statement C. Revenues and expenditures, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B revenues	\$15,506,030
Add:	
Prior-year federal funds payroll accrual	20,627
Other fund sources - transfers in	7,004,385
Federal funds carry forward from 1994-95	19,636
Less - current-year federal funds payroll accrual	<u>(26,510)</u>
 Statement C revenues	 <u><u>\$22,524,168</u></u>
 Statement B expenditures	 \$21,836,320
Add:	
Prepaid expenses	231,667
Prior-year payroll accrual	553,542
Less - current-year payroll accrual	<u>(649,745)</u>
 Statement C expenditures	 <u><u>\$21,971,784</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 Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

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

indicate they do not constitute available spendable resources even though they are components of net current assets.

E. FIXED ASSETS

At the present time, the department maintains records only on its movable properties and does not account for land, buildings, and improvements used by the department. At June 30, 1996, the department has stewardship responsibility for \$4,767,710 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected in the accompanying special purpose financial statements. A summary of changes in general fixed assets follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Movable property	<u>\$3,965,976</u>	<u>\$1,229,004</u>	<u>\$427,270</u>	<u>\$4,767,710</u>

In accordance with LSA-R.S. 39:321-332, the Department of Justice has complied with 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 from 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 at year-end against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared.

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.

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

board, chairman, and state police relative to all gaming matters under the board's jurisdiction and in all legal proceedings.

C. CASH

Cash is composed of the following:

Under control of the department:	
Petty cash (on hand and in banks)	\$2,575
Cash in demand accounts	173,397
Cash on deposit with the state treasury	<u>12,060,655</u>
Total	<u><u>\$12,236,627</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 deposit with the fiscal agent. The department has deposit balances (collected bank balances) of \$212,086 at June 30, 1996, for which the department has control. These deposits are secured from risk by \$212,086 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:

Appropriated funds:	
Means of finance	\$5,515,079
FACS operating	1,182,721
Non-appropriated funds	5,070,975
Payroll clearing	<u>291,880</u>
Total	<u><u>\$12,060,655</u></u>

D. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories are valued at cost, which approximates market, and are recorded as expenditures at the time individual inventory items are purchased. The department uses a periodic 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

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

Fees and self-generated revenues, interagency transfers, other fund sources, 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. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred, in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section G60.109. Self-generated revenues include commissions earned on the collection of delinquent student loans.

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 expenditures 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 Appropriated Financing Sources

Transfers in are recognized in the year the transfers are authorized, to the extent that they have been appropriated and earned. The Claims Recovery Fund receives revenues from court awarded judgments and settlements made on behalf of the State of Louisiana. These recoveries do not include tort litigation cases. The amount of this fund is appropriated annually by the legislature. When funds are received by the state treasurer, a transfer is made to the Department of Justice's means of financing up to the appropriated amount. The funds are used to support the operations of the department.

As head of the Department of Justice, the attorney general was authorized by LSA-R.S. 4:510(l)(1) to be reimbursed for the reasonable cost of all services and support provided to the Riverboat Gaming Commission. The attorney general was responsible for providing administrative support and services to the commission, including secretarial and staff services and all office equipment and supplies. The funds were appropriated annually by the legislature. In accordance with Act 7 of the First Extraordinary Session of 1996, effective May 1, 1996, the Riverboat Gaming Commission was abolished.

On May 1, 1996, the Louisiana Gaming Control Board assumed control of the affairs of the Louisiana Economic Development and Gaming Corporation. The attorney general is authorized by LSA-R.S. 27:19 to be reimbursed for legal, investigative, and administrative costs incurred in advising and representing the

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

Income Not Available

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 1.

The non-appropriated funds relating to the Collections of Delinquent Student Loans, Continuing Legal Education, Escrow Settlement, Justices of the Peace and Constables Activity, Nonpublic Schools Escrow, Payroll Clearing Funds, and Income Not Available 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, 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 are both 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 and Interim Emergency Board appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury.

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

**Collections of Delinquent Student
Loans Agency Fund**

The Collections of Delinquent Student Loans Agency Fund accounts for collections of delinquent student loans by the department. Act 17 of 1976 and Act 261 of 1979 authorized the department to collect delinquent student loans for all Louisiana public colleges and universities, the Office of Student Financial Assistance, the Charity Hospital School of Nursing, and the Louisiana Department of Education.

Continuing Legal Education Agency Fund

The department maintains the Continuing Legal Education Agency Fund to provide continuing legal education seminars to members of the Louisiana State Bar Association and public attorneys licensed to practice law in Louisiana and to keep them current on changes and developments in Louisiana Law.

Escrow Settlement Agency Fund

The Escrow Settlement Agency Fund is used by the department to receive funds provided by a settlement or a court order from individuals or other non-public entities and to disburse these funds to third parties.

**Justices of the Peace and Constables
Activity Agency Fund**

The department uses the Justices of the Peace and Constables Activity Agency Fund to receive and disburse fees pertaining to social activities for Justices of the Peace and Constables.

Nonpublic Schools Escrow Agency Fund

The Nonpublic Schools Escrow Agency Fund is maintained by the department to receive funds provided by a court order, which amount represents the appropriation authorized by the Louisiana Legislature for fiscal year 1994-95, as reimbursement for required services incurred in academic year 1993-94. Distribution of these funds may be made to any nonpublic school only upon order of the court.

Payroll Clearing Fund

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

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

2. DUE FROM/TO OTHERS

The following is a summary of amounts due from/to others at June 30, 1996:

	Non-Appropriated Funds						Income Not Available
	General Appropriation Fund	Collections of Delinquent Student Loans	Continuing Legal Education	Escrow Settlement	Justice of the Peace and Constables Activity	Nonpublic Schools Escrow	
Due from others:							
Due from other agencies - interagency transfers - various	\$315,975						
Due from federal government	159,985						\$5,896
Due from others	27,417						
Total	\$503,377	NONE	NONE	NONE	NONE	NONE	\$5,896
Due to others:							
Due to state General Fund	\$1,110,240						
Due to Office of State Police	759,040						
Due to universities and court costs		\$99,313					
Due to others			\$6,213		\$14,776		
Due to plaintiffs				\$25,427		\$4,971,662	
Total	\$1,869,280	\$99,313	\$6,213	\$25,427	\$14,776	\$4,971,662	NONE

3. PAYABLES

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

General appropriation:	
Accounts payable	\$834,590
Accrued payroll payable	649,745
Non-appropriated:	
Accrued employee benefits payable	163,727
Payroll deductions payable	128,153
Total	\$1,776,215

DEPARTMENT OF JUSTICE
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>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislature:			
State General Fund	\$4,312,281	\$4,191,710	(\$120,571)
Interim Emergency Board	3,071		(3,071)
State General Fund by:			
Fees and self-generated revenues	10,024,249	9,205,675	(818,574)
Interagency transfers	1,080,858	1,066,093	(14,765)
Federal funds	1,001,764	1,056,305	54,541
Other fund sources:			
Riverboat Gaming Commission	2,247,730	2,180,430	(67,300)
Claims Recovery Fund	4,846,075	4,823,955	(22,120)
Total appropriated revenues	<u>23,516,028</u>	<u>22,524,168</u>	<u>(991,860)</u>
EXPENDITURES			
Appropriated for:			
Administrative	2,661,417	2,665,427	(4,010)
Civil law	6,026,062	5,390,611	635,451
Criminal law and Medicaid fraud	4,010,590	3,912,635	97,955
Risk litigation	8,179,409	7,663,573	515,836
Gaming	2,638,550	2,339,538	299,012
Total appropriated expenditures	<u>23,516,028</u>	<u>21,971,784</u>	<u>1,544,244</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR	<u>NONE</u>	<u>\$552,384</u>	<u>\$552,384</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

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

INTRODUCTION

The Department of Justice is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Chapter 18 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is charged with the authority to institute, prosecute, or intervene in any civil action or proceeding to assert or protect any right or interest of the State of Louisiana. The department provides a full range of legal services to various state agencies and officials. Assistance is also provided to local officials in both civil and criminal matters within the State of Louisiana. The Department of Justice consists of one general appropriation fund, three trust funds, and six agency funds. The department has 327 authorized full-time employees in the main office in Baton Rouge and the New Orleans, Shreveport, and Lake Charles divisions.

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 Justice 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 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.

**DEPARTMENT OF JUSTICE
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



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

November 4, 1996

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

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 4, 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.

The management of the Department of Justice 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 (legal basis) 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 special purpose (legal basis) financial statements of the Department of Justice 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 (legal basis) financial statements and

EXHIBIT A

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

Balance Sheet (Legal Basis), June 30, 1996

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- TRUST FUNDS		
		JUSTICES OF THE PEACE AND CONSTABLES TRAINING	FEDDERS SETTLEMENT	CONSUMER ENFORCEMENT
ASSETS				
Cash (note 1-C)	\$6,720,383	\$52,568	\$7,112	\$47,293
Due from fees and self-generated revenues	364,297			
Due from others (note 2)	503,377			
Prepaid expenses	231,667			
Inventories of materials and supplies (note 1-D)	11,752			
TOTAL ASSETS	\$7,831,476	\$52,568	\$7,112	\$47,293
LIABILITIES AND FUND EQUITY				
Liabilities:				
Payables (note 3)	\$1,484,335			
Advance from state treasury (note 9)	4,550,000			
Due to state treasury				
Due to other funds (note 2)	1,869,280			
Due to others (note 2)				
Total Liabilities	7,903,615	NONE	NONE	NONE
Fund Equity - fund balances (deficit):				
Reserved for:				
Inventories of materials and supplies (note 1-D)	11,752			
Continuing operations (note 10)		\$52,568	\$7,112	\$47,293
Unreserved - undesignated (deficit) (note 11)	(83,891)			
Total Fund Equity	(72,139)	52,568	7,112	47,293
TOTAL LIABILITIES AND FUND EQUITY	\$7,831,476	\$52,568	\$7,112	\$47,293

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Audit Report, June 30, 1996

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 4, 1996, on our consideration of the Department of Justice's internal control structure and a report, dated November 4, 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 Justice. 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 Justice. 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 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

DLH:LWM:dl

[JUSTICE]

LEGISLATIVE AUDITOR

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA

Internal Control Report

November 4, 1996

Page 2

not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special purpose (legal basis) financial statements.

Payroll Records

The Department of Justice has not maintained complete payroll records and does not have a compensatory/administrative leave policy for all employees. An adequate internal control structure should include policies and procedures to maintain time and attendance records for all employees including compensatory/administrative leave earned and taken. We determined that directors, deputy directors, attorneys, and certain other employees do not submit adequate time and attendance records. These employees submit certifications at the end of each pay period stating they have averaged at least 40 hours per week including all authorized leave. However, the certifications do not indicate how many hours were worked nor do they indicate how much compensatory/administrative leave was earned and/or taken. Furthermore, these employees are allowed to take administrative leave if they work overtime. However, the amount of overtime worked and the amount of administrative leave taken is not recorded in the payroll records. Complete payroll records, including adequate time and attendance records, are necessary to support amounts paid to employees as salary; to maintain accumulated annual, sick, and compensatory/administrative leave balances; and to reduce the risk that errors and/or irregularities may occur and not be detected. The department maintains adequate time and attendance records for its other employees and has established a compensatory/administrative leave policy for these employees.

Each pay period, employees earning leave should be required to submit a signed time and attendance report that indicates how many hours were worked and how much compensatory/administrative leave was earned and/or taken to the appropriate supervisor who should certify the time and attendance report. If the employee is not earning leave, then at a minimum, each pay period documentation should be submitted



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

November 4, 1996

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

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 4, 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, regulations, contracts, and grants applicable to the Department of Justice 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, regulations, contracts, and grants. However, the objective of our audit of the special purpose (legal basis) 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 cursive script, reading "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLH:LWM:dl
[JUSTICE]

EXHIBIT B

LEGISLATIVE AUDITOR

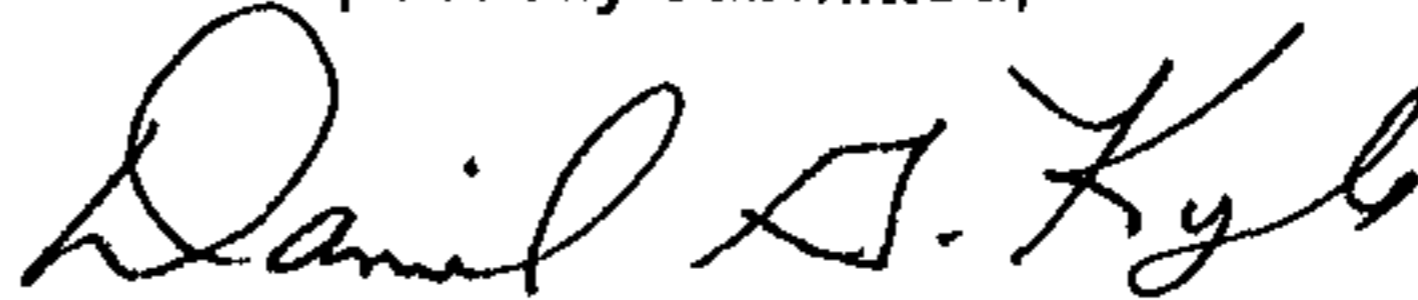
HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Internal Control Report
November 4, 1996
Page 4

A material weakness is a reportable 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 general 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

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

DLH:LWM:dl

[JUSTICE]

LEGISLATIVE AUDITOR

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Internal Control Report
November 4, 1996
Page 3

by either the employee or the employee's supervisor to support the payroll disbursement. In addition, the department should establish a compensatory/administrative leave policy that covers all employees.

In a letter from the Attorney General dated July 24, 1996, the Department of Justice did not concur with the finding and recommendation. The Attorney General expressed the following reasons why the department should not require all its employees earning leave to submit a signed time and attendance report that indicates how many hours were worked and how much leave was earned and/or taken, and why the department should not establish a compensatory leave policy for all employees: (1) the attorneys and other professionals employed by the Attorney General work more than forty hours, and hours outside the normal workdays, because the demands on the attorneys do not fit neatly into the classic 9 to 5, Monday through Friday, schedule; (2) in 1991, under the old compensatory time policy, many of the professional staff had exorbitant accumulations of compensatory time; therefore, the Attorney General initiated the current Administrative Leave policy, which allows senior supervisors the flexibility to rearrange a professional's schedule when working weekends and evenings. The procedure in place is, from a work product prospective, the most cost efficient and effective; (3) the policy carefully follows both federal and state wage/hour mandates; and (4) to accept the auditor's recommendations and reinstitute the policy employed in past administrations clearly would not be in the best interest of the Department of Justice or the State of Louisiana.

Additional Comments: We offer the following comments in response to the Attorney General's letter: (1) the purpose of a compensatory leave policy is to adequately account for all hours worked outside the normal workday; (2) under the current Administrative Leave policy, employees are allowed to take administrative leave if they work overtime; however, the amount of overtime worked and the amount of administrative leave taken is not recorded in the payroll records. This information is necessary if the department is to adequately maintain accumulated compensatory/administrative leave balances, which is one component in a good internal control structure for payroll records; (3) we concur that the policy in place is in compliance with federal and state wage/hour mandates; however, the finding addresses internal control deficiencies; and (4) we believe that our recommendations are clearly in the best interest of the Department of Justice and the State of Louisiana.

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

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

**APPROPRIATED FUND - GENERAL
APPROPRIATION FUND**

The General Appropriation Fund is the general operating fund of the Department of Justice. It administers and accounts for the legislative appropriation provided to fund the general administrative expenditures of the department and those expenditures not funded through other specific legislative appropriations or revenues.

NON-APPROPRIATED FUNDS

**Justices of the Peace and Constables
Training Trust Fund**

The department uses the Justices of the Peace and Constables Training Trust Fund to receive and disburse fees pertaining to training required by Louisiana Revised Statute (LSA-R.S.) 49:251.1 for Justices of the Peace and Constables.

Fedders Settlement Trust Fund

The department maintains the Fedders Settlement Trust Fund to account for administrative expenses associated with the implementation of the provisions of a consent judgment dated February 1, 1983. The consent judgment was issued by the United States District Court for the Middle District of Louisiana and resulted from a civil action brought against the Fedders Corporation by the State of Louisiana.

Consumer Enforcement Trust Fund

The department maintains the Consumer Enforcement Trust Fund for the purpose of funding consumer enforcement actions, including investigations and the costs of administering settlements in such matters pursuant to the consent judgment in the case of "State of Louisiana vs. AAMCO Transmissions, Incorporated," number 312409 Division "G" of the Nineteenth Judicial District Court dated February 18, 1987.

JUSTICES OF THE PEACE AND CONSTABLES ACTIVITY	NONPUBLIC SCHOOLS ESCROW	PAYROLL CLEARING
<u>\$11,694</u>	<u>\$6,844,409</u>	<u>\$250,027</u>
9,108		7,415,425
<u>9,108</u>	<u>6,844,409</u>	<u>7,415,425</u>
<u>20,802</u>	<u>13,688,818</u>	<u>7,665,452</u>
		7,373,572
350		
2,378		
540		
2,758	8,717,156	
<u>6,026</u>	<u>8,717,156</u>	<u>7,373,572</u>
<u>\$14,776</u>	<u>\$4,971,662</u>	<u>\$291,880</u>

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
Xerox necessary
copies from this
copy and PLACE
BACK in FILE

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Justice
State of Louisiana
Baton Rouge, Louisiana

December 18, 1996



Financial and Compliance Audit Division

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

ORIGINAL
FILE COPY
DO NOT SIGN
Check necessary
copies from
copy and place
back in file

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Representative Francis C. Thompson, Chairman
Senator Ronald C. Bean, Vice Chairman

Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig F. Romero
Representative F. Charles McMains, Jr.
Representative Edwin R. Murray
Representative Warren J. Triche, Jr.
Representative David Vitter

LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

November 4, 1996

Independent Auditor's Report
on the Financial Statements

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Justice, 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 Justice. 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 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 Justice. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the funds and account groups 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 accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Justice at June 30, 1996, and the transactions of the appropriated and non-appropriated funds for the year then ended, on the basis of accounting described in note 1-B.

DEPARTMENT OF JUSTICE
 STATE OF LOUISIANA
 APPROPRIATED AND NON-APPROPRIATED FUNDS
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances (Legal Basis), 1996

	GENERAL APPROPRIATION FUND	NON- APPROPRIATED TRUST FUNDS	TOTAL (MEMORANDUM ONLY)
FUND BALANCES (Deficit) AT BEGINNING OF YEAR	(\$244,784)	\$92,816	(\$151,968)
INCREASE IN RESERVE FOR INVENTORY	726	NONE	726
ADJUSTMENTS (note 12)	<u>(502,176)</u>	<u>NONE</u>	<u>(502,176)</u>
FUND BALANCES (Deficit) AT END OF YEAR	<u><u>(\$72,139)</u></u>	<u><u>\$106,973</u></u>	<u><u>\$34,834</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Contents, June 30, 1996

CONTENTS (CONT.)

	Exhibit
Other Reports Required by Government Auditing Standards:	
Report on Internal Control Structure Based Solely on an Audit of the Special Purpose Financial Statements	A
Report on Compliance With Laws and Regulations	B

**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.

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

4. RETIREMENT SYSTEM

Substantially all employees of the department are members of two statewide public employee retirement systems. Certain unclassified state employees are members of the Louisiana Teachers Retirement System (TRS) and other unclassified state employees are members of the Louisiana State Employee Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 924-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504) 922-0608 or (800) 256-3000.

The contribution requirements of plan members and the department are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in LSA-R.S. 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.5 percent of covered salaries to TRS and 12 percent of covered salaries to LASERS. The department's employer contribution is funded by the State of Louisiana through the annual appropriation to the department. The department's employer contributions to TRS for the years ended June 30, 1996, 1995, and 1994, were \$12,375, \$15,179, and \$8,100, respectively, and to LASERS for the years ended June 30, 1996, 1995, and 1994, were \$1,504,969, \$1,251,910, and \$1,076,016, respectively, equal to the required contributions for each year.

**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 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 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 \$56,658.

**DEPARTMENT OF JUSTICE
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

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		3
Special Purpose Financial Statements:		
Balance Sheet (Legal Basis) - All Appropriated and Non-Appropriated Funds	A	5
Statement of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis) - Appropriated and Non-Appropriated Funds	B	7
Statement of Revenues, Expenditures, and Unexpended Appropriation - Budget Comparison of Current-Year Appropriation - Budget (Legal Basis) and Actual	C	9
Notes to the Financial Statements		10
	Schedule	Page No.
Supplemental Information Schedules:		
Schedule of Non-Appropriated Revenues - Income Not Available	1	26
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Appropriated Trust Funds	2	27
Schedule of Changes in Balances - Non-Appropriated Agency Funds	3	28
Schedule of Compensation Paid Riverboat Gaming Commission Members	4	30

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
NON-APPROPRIATED AGENCY FUNDS**

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

	<u>COLLECTIONS OF DELINQUENT STUDENT LOAN</u>	<u>CONTINUING LEGAL EDUCATION</u>	<u>ESCROW SETTLEMENT</u>
BALANCES AT BEGINNING OF YEAR	<u>\$141,131</u>	<u>\$6,213</u>	<u>\$28,552</u>
ADDITIONS			
Transfers from general appropriation			
Activity fees			
Collections of student loans	2,014,118		
Receipts from defendants			30,953
Total additions	<u>2,014,118</u>	<u>NONE</u>	<u>30,953</u>
Total	<u>2,155,249</u>	<u>6,213</u>	<u>59,505</u>
DEDUCTIONS			
Payroll deductions and employee benefits			
Disbursements of collected student loans to lending institutions	1,333,449		
Commissions earned	623,476		
Court costs remitted	99,011		
Disbursed to plaintiffs			34,078
Operating services			
Supplies			
Refunds			
Other			
Total deductions	<u>2,055,936</u>	<u>NONE</u>	<u>34,078</u>
BALANCES AT END OF YEAR	<u>\$99,313</u>	<u>\$6,213</u>	<u>\$25,427</u>

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
NON-APPROPRIATED TRUST FUNDS

Schedule of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 1996

	JUSTICES OF THE PEACE AND CONSTABLES TRAINING	FEDDERS SETTLEMENT	CONSUMER ENFORCEMENT	TOTAL
REVENUES				
Registration fees	\$34,875			\$34,875
Court settlements			\$1,500	1,500
Total revenues	<u>34,875</u>	<u>NONE</u>	<u>1,500</u>	<u>36,375</u>
EXPENDITURES				
Hotel, food, and travel	17,530			17,530
Operating services	2,252			2,252
Supplies	1,056			1,056
Refunds	1,380			1,380
Total expenditures	<u>22,218</u>	<u>NONE</u>	<u>NONE</u>	<u>22,218</u>
EXCESS OF REVENUES OVER EXPENDITURES	12,657	NONE	1,500	14,157
FUND BALANCES AT BEGINNING OF YEAR	<u>39,911</u>	<u>\$7,112</u>	<u>45,793</u>	<u>92,816</u>
FUND BALANCES AT END OF YEAR	<u>\$52,568</u>	<u>\$7,112</u>	<u>\$47,293</u>	<u>\$106,973</u>

DEPARTMENT OF JUSTICE
 STATE OF LOUISIANA
 INCOME NOT AVAILABLE

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

<u>NON-APPROPRIATED REVENUE FUND SOURCE</u>	<u>CASH RECEIPTS THROUGH JUNE 30, 1996</u>	<u>ACCOUNTS RECEIVABLE AT JUNE 30, 1996</u>	<u>TOTAL REVENUES</u>
Garnishments, fees, and suit settlements	\$916,327		\$916,327
Indirect cost - Medicare fraud	62,805	\$5,896	68,701
Total Non-Appropriated Revenues	<u>\$979,132</u>	<u>\$5,896</u>	<u>\$985,028</u>

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 1996**

**SCHEDULE OF NON-APPROPRIATED REVENUES -
INCOME NOT AVAILABLE**

Schedule 1 reflects income not available collected by the department during the year that was not available to the department for expenditures.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-APPROPRIATED TRUST FUNDS**

Schedule 2 presents the revenues, expenditures, and changes in fund balances for the Justices of the Peace and Constables Training, Fedders Settlement, and Consumer Enforcement Trust funds for the year ended June 30, 1996.

SCHEDULE OF CHANGES IN BALANCES

Changes in balances for the Non-Appropriated - Payroll Clearing Fund and Agency Funds for the year ended June 30, 1996, are presented on Schedule 3.

**SCHEDULE OF COMPENSATION PAID
COMMISSION MEMBERS**

The Riverboat Gaming Commission was created by Louisiana Revised Statute 4:510 under the Department of Public Safety and Corrections, Public Safety Services. The commission consists of seven members appointed by the governor and subject to confirmation by the Senate. Each member of the commission is entitled to receive compensation of \$6,000 per year, except for the chairman who is entitled to receive \$9,000. This statute requires the attorney general to provide administrative support to the commission. Therefore, the expenditures for the commission including commission members' compensation are paid by the Department of Justice from funds transferred to the department for this purpose. Schedule 4 presents the compensation received by each commission member.

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

Salaries	\$263,994
Related benefits	48,415
Travel	2,593
Operating services	126
Miscellaneous charges	<u>250,311</u>
Total other charges	<u>\$565,439</u>

The State Budget Office has budgeted these funds in this manner to maintain control of certain expenditures for federal grant programs and because these expenditures are peculiar to the department. Under generally accepted accounting principles, these expenditures would have been recognized within their proper expenditure categories and objects.

14. DEFERRED COMPENSATION PLAN

Certain employees of the Department of Justice 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 JUSTICE
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

<u>Fund</u>	<u>Legal Authority</u>	<u>Restricted Balance</u>
Justices of the Peace and Constables Training Trust Fund	Louisiana Revised Statute 49:251.1	\$52,568
Fedders Settlement Trust Fund	Consent Judgment	7,112
Consumer Enforcement Trust Fund	Court Settlements	<u>47,293</u>
Total		<u><u>\$106,973</u></u>

These reserves relate to programs that are not subject to an annual appropriation, the lapsing provisions of the annual appropriation act, or to appropriations in which the legislature has authorized the department to retain the fund balance of the program for future operations of the program.

11. FUND DEFICIT

The General Appropriation Fund had a fund deficit of \$83,891 for the year ended June 30, 1996. The deficit was the result of accrual of payroll payables that were required by the Office of the Governor, Division of Administration, but not included in the 1995-96 fiscal year budget. The department resolved the deficit by liquidating the liabilities with funds appropriated in the 1996-97 fiscal year. These obligations are included in the accompanying financial statements.

**12. 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:

Surplus remitted to state General Fund	\$257,467
Adjustment of prior-year expenditures	<u>244,709</u>
Total	<u><u>\$502,176</u></u>

13. OTHER CHARGES

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

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

Most lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Rental and lease expenditures for fiscal year ended June 30, 1996, totaled \$1,191,369.

8. INSTALLMENT PURCHASES

Starting with the fiscal year ended June 30, 1995, the department entered into various installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund (LEAF) Program 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 June 30, 1995	\$315,834
Installment purchases	89,383
Installment payments in fiscal year 1996	<u>(119,531)</u>
Balance at June 30, 1996	<u><u>\$285,686</u></u>

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

Fiscal year:	
1996-97	\$168,675
1997-98	102,587
1998-99	<u>31,636</u>
Net minimum installment payments	302,898
Less - amount representing interest	<u>(17,202)</u>
Total	<u><u>\$285,696</u></u>

9. ADVANCE FROM STATE TREASURY

The department has received an advance from the state treasury for petty cash imprest fund operations totaling \$50,000 and seed money for operations totaling \$4,500,000. This advance, as reflected in the accompanying statements, represents a liability to the department and must be repaid if not authorized annually.

10. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 1996, the department has reserves for continuing operations totaling \$106,973, which may be retained for future expenditures as follows:

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

**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. LEASE OBLIGATIONS

Capital leases, which under generally accepted accounting principles would be an asset and liability of the department, are not reflected in the accompanying special purpose financial statements. The department has capital leases under which it is leasing vehicles. The discounted minimum lease payments were 90 percent or more of the fair market value of the vehicles. The following is a schedule, by years, of future minimum lease payments under these capital leases for the vehicles, together with the present value of the net minimum lease payments, as of June 30, 1996:

Fiscal year:	
1996-97	\$18,348
1997-98	6,826
Net minimum lease payments	<u>25,174</u>
Less - amount representing interest	<u>(562)</u>
Present value of net minimum lease payments	<u><u>\$24,612</u></u>

In addition to capital leases, the department has noncancelable operating leases for rental of equipment and office space. The annual rental payments for the next five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
1996-97	\$820,208	\$96,582	\$916,790
1997-98	797,758		797,758
1998-99	549,281		549,281
1999-2000	184,123		184,123
2000-01	56,929		56,929
Total	<u><u>\$2,408,299</u></u>	<u><u>\$96,582</u></u>	<u><u>\$2,504,881</u></u>