DEPARTMENT OF THE TREASURY
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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislature:			
State General Fund	$926,185	$926,185	
Federal funds	1,000		($1,000)
State General Fund by fees and self-generated revenues	2,491,474	2,118,069	(373,405)
State General Fund by statutory dedication	90,700	90,700	
State General Fund by interagency transfers	1,146,845	1,076,493	(70,352)
Total appropriated revenues	4,656,204	4,211,447	(444,757)
EXPENDITURES			
Appropriated for:			
Administrative	400,549	391,273	9,276
Financial accountability and control	1,898,624	1,736,387	162,237
Debt management	1,660,150	841,385	818,765
Investment management	696,881	503,299	193,582
Total appropriated expenditures	4,656,204	3,472,344	1,183,860
UNEXPENDED APPROPRIATION - CURRENT YEAR	NONE	$739,103	$739,103

The accompanying notes are an integral part of this statement.

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA

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

INTRODUCTION

The Louisiana Department of the Treasury is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Chapter 21 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is responsible for the custody, investment, and disbursement of public funds of the state. The department is funded by an annual appropriation from the General Fund, interagency transfers, and through self-generated fees charged by the State Bond Commission, whose administrative functions are included in the operations of the department. The department has 41 employees at June 30, 1996.

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 the Treasury 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.

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. The fund also accounts for travel and imprest fund advances and seeds appropriated in the annual ancillary appropriations act for use by various state agencies.

NON-APPROPRIATED FUNDS

Major State Revenues and Income Not Available

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

Agency Funds

Payroll Clearing Fund

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

Escrow Fund

The Escrow Fund consists of amounts received from other agencies and units of government. These agencies are required by statute to remit stale-dated checks, deposits received from others, and other funds not available for current operations and that are not required to be remitted to the state General Fund.

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, *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

The state General Fund appropriation is recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues, interagency transfers, statutory dedications, and non-appropriated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employee vested annual and sick leave are recognized as expenditures when paid. Furthermore, any 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.

The Escrow Fund is reported on a cash basis of accounting. Additions are recognized when they are received, and deductions are recognized when paid.

C. CASH

Cash is composed of the following:

Under control of the department:	
Cash in demand accounts	$2,546
Petty cash (on hand)	100
Cash on deposit with the state treasury	2,351,648
Total	$2,354,294

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 $4,481 at June 30, 1996, which are fully secured from risk by federal deposit insurance (GASB Risk Category 1).

Cash balances are held and controlled by the state treasurer and 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	$1,162,488
FACS operating	92,116
Payroll clearing	31,589
Escrow Fund	1,065,455
Total	$2,351,648

D. GENERAL FIXED ASSETS

At June 30, 1996, the department has stewardship responsibility for $403,872 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 movable property follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Movable property	$409,150	$93,466	$98,744	$403,872

E. 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.

F. 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 against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. The department has no encumbrances at June 30, 1996.

G. BUDGET PRACTICES

The appropriation made for the general operations of the department is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget are recognized on the same basis of accounting as described in note 1-B, except the accrual of payrolls at fiscal year-end are not recognized as expenditures on Statement C, and the carryover of prior-year revenues are shown as revenues on Statement C.

The amounts reflected on Statement B are reconciled with the amounts reflected on Statement C as follows:

Statement B revenues	$4,174,127
Carryover of prior-year revenues for State Bond Commission rebates	37,320
Statement C revenues	$4,211,447
Statement B expenditures	$3,429,861
Payroll accrual at June 30, 1995	116,520
Payroll accrual at June 30, 1996	(74,037)
Statement C expenditures	$3,472,344

The department is prohibited by statute from over expending the categories established in the general appropriation act. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation as follows:

Program	Administrative	Financial Accountability and Control	Debt Management	Investment Management	Total
Original approved budget	$400,549	$1,898,624	$1,660,150	$696,881	$4,656,204

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

H. LEAVE BENEFITS

Employees earn and accumulate annual and sick leave at various rates depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1996, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be $147,696. The leave payable is not recorded in the accompanying special purpose financial statements.

DEPARTMENT OF THE TREASURY
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	$926,185
State General Fund by fees and self-generated revenues	2,080,749
State General Fund by statutory dedication	90,700
State General Fund by interagency transfers	1,076,493
Total revenues	4,174,127
EXPENDITURES	
Personal services	1,842,892
Travel	27,772
Operating services	123,605
Supplies	24,737
Professional services	139,415
Other charges (note 10)	1,062,671
Capital outlay	38,903
Interagency transfers	169,866
Total expenditures	3,429,861
EXCESS OF REVENUES OVER EXPENDITURES	744,266
FUND BALANCE AT BEGINNING OF YEAR	339,592
ADJUSTMENT (note 9)	(418,889)
FUND BALANCE AT END OF YEAR	$664,969

The accompanying notes are an integral part of this statement.

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

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

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

HONORABLE KEN DUNCAN
STATE TREASURER
DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
Baton Rouge, Louisiana

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

Management of the Department of the Treasury 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 irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to 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 the Treasury for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition 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 department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted the matter contained in Exhibit B that we consider to be a reportable condition.

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 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 believe that the reportable condition contained in Exhibit B is not 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

Daniel G. Kyle, CPA, CFE
Legislative Auditor

YYD:WMB:dl

[TREASURY]

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

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December 18, 1996

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

HONORABLE KEN DUNCAN
STATE TREASURER
DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of the Treasury, a department within Louisiana state government, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 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 the Treasury is the responsibility of management of the department. 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 special purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

Noncompliance with State Travel Regulations

The Department of the Treasury did not comply with travel regulations contained in the Division of Administration's Policy and Procedure Memorandum (PPM) 49, when reimbursing the State Treasurer for travel expenses. All state travelers, including elected officials, with few exceptions, are required to follow the rules, regulations, policies, and procedures set out in PPM 49. We examined all travel expenses for the State Treasurer for the period July 1, 1995, to October 31, 1996. The following exceptions totaling $2,054 for the treasurer were noted:

EXHIBIT B

1. The Department of the Treasury reimbursed the State Treasurer for travel expenses without having proper documentation to support the claim as follows: (a) airfare expenses ($288 - no tickets attached), (b) conference registration fees ($200 - no documentation attached), (c) newspaper purchases ($26 - not provided for in the state travel regulations), (d) taxi fares ($60 - no receipts attached for transactions over $15), and (e) baggage tips ($394 - in excess of the allowable $1 per bag).

2. The Department of the Treasury reimbursed the State Treasurer $1,086 for per diem meal allowances without the details of departure and arrival times and number of meals per day as required by travel regulations.

Failure to obtain proper documentation and not completing the reimbursement requests properly before reimbursing travel expenses results in increased risk that travel reimbursement will be made in error and in excess of the amounts allowed by travel regulations.

The Department of the Treasury should require the reimbursement request to be completed properly, with the required documentation attached, before reimbursing travel expenses. See Attachment I for management's response.

Additional Comments: Although the Department of the Treasury did ultimately provide either documentation or an explanation for the payments, the payments were made by the Department of the Treasury before this information was provided. The Department of the Treasury should require that proper documentation be provided and the reimbursement request properly completed before reimbursing travel expenses.

We considered this instance of noncompliance in forming our opinion on whether the 1996 *special purpose financial statements of the Department of the Treasury are presented fairly*, in all material respects, in conformity with accounting principles prescribed by the Office of the Governor, Division of Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles. This report does not affect our report dated December 18, 1996, on those financial statements.

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

Respectfully submitted,

Daniel G. Kyle

Daniel G. Kyle, CPA, CFE
Legislative Auditor

YYD:WMB:dl

[TREASURY]

EXHIBIT B

Attachment I

Management's Response to Finding

TREASURER OF THE STATE OF LOUISIANA

KEN DUNCAN
TREASURER

P. O. BOX 44154
BATON ROUGE, LA 70804
(504) 342-0010

December 11, 1996

Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor
Legislative Auditor's Office
Post Office Box 94397
Baton Rouge, Louisiana 708049397

Dear Dr. Kyle:

Below is our response to the preliminary finding involving documentation of certain travel expenses for the Office of the State Treasurer for the period July 1, 1995, through October 31, 1996.

Preliminary Finding: Noncompliance with State Travel Regulations

We partially agree with the finding.

Exception Number One

a. Attached is a copy of the airfare ticket ($288.00)

b. Attached is a copy of the conference registration ($200.00)

c. Although newspapers are not specifically mentioned in the Travel Rules and Regulations, newspapers are purchased by this office to provide a means for the State Treasurer and staff to monitor the financial status and actions of state depositories, and to obtain current investment and general economic data, etc. It is reasonable and appropriate that the State Treasurer has a business reason and a fiduciary requirement to obtain the latest financial reports while on travel status. In addition, there is no available documentation for newspapers purchased from vending machines in airports and hotel lobbies.

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.

The only amount clearly in question due to lack of documentation of departure and arrival time is $40.00.

The Treasurer as a State Official could have been reimbursed for actual food expenses for all eleven trips. However, for these trips, the Treasurer was only reimbursed on a per diem basis which is substantially less than actual cost, especially when traveling on state business to cities such as New York City and Washington, D.C. It also should be noted that for several trips, eligible reimbursements for meals were not requested by the Treasurer.

We have taken the necessary steps to insure documentation is attached or filed with the respective travel reimbursement requests.

I appreciate the opportunity to provide a response to this preliminary finding. Should you have any further questions or concerns, feel free to contact me at (504) 342-0055.

With kind regards, I am

Sincerely yours

Carl V. Berthelot

Carl V. Berthelot
First Assistant State Treasurer

CVB:csr
Attachments

DEPARTMENT OF THE TREASURY
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

January 22, 1997

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

Balance Sheet (Legal Basis), June 30, 1996

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON-APPROPRIATED FUNDS: MAJOR STATE REVENUES AND INCOME NOT AVAILABLE	NON-APPROPRIATED FUNDS: PAYROLL CLEARING	NON-APPROPRIATED FUNDS: ESCROW	TOTAL (MEMORANDUM ONLY)
ASSETS					
Cash (note 1-C)	$1,257,250		$31,589	$1,065,455	$2,354,294
Receivables:					
Fees and self-generated revenues	68,169				68,169
Major state revenues and income not available		$65,813,150			65,813,150
Due from others (note 2)	41,176,989				41,176,989
Other receivables	2,454				2,454
TOTAL ASSETS	$42,504,862	$65,813,150	$31,589	$1,065,455	$109,415,056
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	$581,552				$581,552
Payroll payable	74,037				74,037
Payroll deductions payable			$14,757		14,757
Accrued employee benefits			16,832		16,832
Advance payable to state General Fund (note 7)	41,184,304				41,184,304
Major state revenues and income not available due state treasury		$65,813,150			65,813,150
Other liabilities				$1,065,455	1,065,455
Total Liabilities	41,839,893	65,813,150	31,589	1,065,455	108,750,087
Fund Equity - fund balance:					
Reserved for continuing operations (note 8)	250,270				250,270
Unreserved - undesignated (note 8)	414,699				414,699
Total Fund Equity	664,969	NONE	NONE	NONE	664,969
TOTAL LIABILITIES AND FUND EQUITY	$42,504,862	$65,813,150	$31,589	$1,065,455	$109,415,056

The accompanying notes are an integral part of this statement.

HONORABLE KEN DUNCAN
STATE TREASURER
DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
Audit Report, June 30, 1996

We have also issued separate reports dated December 18, 1996, on internal control structure and compliance with laws and regulations as required by *Government Auditing Standards.*

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of the Treasury taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the procedures applied in the audit of the financial statements and, in our opinion, are stated fairly in all material respects in relation to the special purpose financial statements taken as a whole.

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

Respectfully submitted,

Daniel G. Kyle

Daniel G. Kyle, CPA, CFE
Legislative Auditor

YYD:WMB:dl

[TREASURY]

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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December 18, 1996

Independent Auditor's Report
on the Financial Statements

HONORABLE KEN DUNCAN
STATE TREASURER
DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of the Treasury, 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 the Treasury. 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 the Treasury. 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 the Treasury 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.

CONTENTS (CONT.)

DEPARTMENT OF THE TREASURY
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

Certain employees of the department are eligible to earn compensatory time, as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate compensatory time at the rate of 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; however, under federal regulations, certain employees are compensated for unused compensatory leave six months after the end of the quarter in which the leave was earned. The liability for accrued compensatory leave at June 30, 1996, computed in accordance with GASB Codification Section C60:105, is estimated to be $167. Accumulated compensatory leave is not accrued in the accompanying special purpose financial statements.

I. TOTAL COLUMN ON BALANCE SHEET

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

2. DUE FROM/TO OTHERS

As shown on Statement A, the department has a net amount of $41,176,989 due from others at June 30, 1996. This amount includes travel and imprest fund advances of $2,049,204 paid by the department to various state agencies, as authorized by the commissioner of administration, and seed advances of $39,130,000 to various units of state government, as appropriated annually by the legislature in the Ancillary Appropriations Act. These amounts are returned to the state General Fund annually through the department's operating appropriation.

3. PENSION PLAN

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, 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 Division for Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

4. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The

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LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

d. The amounts over the $15 threshold were reimbursed to the State on November 26, 1996.

Travel regulations allow all reimbursement up to $15 per taxi usage with no documentation. Therefore, only $15, [$60 - 3($15)] should be an exception. The remaining $45 could be reimbursed with no documentation.

e. Travel regulations do not require documentation of baggage tips as to the number of pieces of luggage used or the number of times baggage is handled by others on a trip. To categorize the total $394 in tips as being in excess of the allowable of $1.00 per bag for assistance is incorrect. No consideration was given for luggage handling tips to airport porters in and out of airports, hotel bellhops in and out of hotels, and taxi operators for their assistance.

A conservative calculation for pieces of luggage and tips accordingly can easily justify at least $221 of the $394 at $1.00 per bag. Although not specifically included in the travel regulations, tips for parking attendants, etc., can account for additional tips.

Exception Number Two

To cite all meals reimbursed for eleven trips due to failure to record hand written departure and arrival times is unreasonable. At the most, only the reimbursement for the first and/or last meal for each trip could be affected. In addition, in most instances the departure and arrival times can be obtained direct, or reasonably calculated by documentation other than hand written departure and arrival times. Hotel arrival and check out times, flight schedules, and personal schedules may be used to reasonably determine departure and arrival times.

For example, on May 19, 1996, through May 22, 1996, the Treasurer traveled to New York City to negotiate a refunding bond issue for the State. He flew out of New Orleans with a flight departure of 10:00a.m. on May 19, 1996, and returned to New Orleans on May 22, 1996, with an arrival time of 9:05p.m. Although the Treasurer's flight to New York City departed New Orleans at 10:00 a.m. on May 19, 1996, his actual departure from his domicile must be considered as May 16, 1996. For the period of May 16, 1996, through May 19, 1996, the Treasurer was attending a Summit of the Americas Conference in New Orleans. It is reasonable and prudent to estimate travel time from New Orleans to his home at one and one half hours. Therefore, arrival to his home on May 22 was approximately 10:35 p.m.

Based on the above, the Treasurer qualified on a per diem basis for all meals on May 19 through May 22, 1996. However, the Preliminary Finding has a documentation exception for the total meals of $114 for the New York City trip. Accordingly, there should be no documentation exception for the trip to New York City.

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
NON-APPROPRIATED - AGENCY FUNDS

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

	PAYROLL CLEARING FUND	ESCROW FUND
BALANCES AT BEGINNING OF YEAR	$35,625	$476,249
ADDITIONS		
Transfers from general appropriation	1,031,636	
Unclaimed property		425,550
Stale dated checks		417,866
Bond fees in protest		47,300
IDB ceiling deposit		97,500
Cost of issuance		229,478
Total additions	1,031,636	1,217,694
Total	1,067,261	1,693,943
DEDUCTIONS		
Payroll deductions and employee benefits	1,035,672	
Stale dated checks		257,517
Unclaimed property		370,971
Total deductions	1,035,672	628,488
BALANCES AT END OF YEAR	$31,589	$1,065,455

STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Department of the Treasury
State of Louisiana
Baton Rouge, Louisiana

January 22, 1997

Financial and Compliance Audit Division

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

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 number of retirees is 17 and the costs of retiree benefits totaled $28,463.

5. 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.

6. LEASE OBLIGATIONS

The department had no material capital or operating leases as of June 30, 1996.

7. ADVANCE PAYABLE TO STATE GENERAL FUND

As shown on Statement A, the department has an advance payable to the state General Fund of $41,184,304. Of this amount, $5,100 represents advances received by the department for the travel and imprest fund account. The remainder of $41,179,204, as discussed in note 2, represents advances made to various agencies for travel and imprest funds ($2,049,204) and seed advances ($39,130,000). These amounts are returned annually to the Department of the Treasury by the various agencies. At June 30, 1996, these advances represent a liability to the department and must be repaid to the state General Fund and reestablished annually by the ancillary appropriations act.

8. FUND BALANCE - UNRESERVED - UNDESIGNATED AND RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 1996, the department has an unreserved - undesignated fund balance of $414,699 for the General Appropriation Fund. Under provisions of the annual appropriation act, this amount, after adjustment, should be lapsed in the state treasury.

The department has a total of $250,270 reserved for continuing operations. This represents $159,570 that will be rebated in fiscal year 1996-97 to governmental and private issuers of debt for excess closing fees paid to the State Bond Commission in the previous fiscal year. The remaining $90,700 is reserved for an investment consultant, investment manager, and third party measurer in regard to the equity investment program for the Louisiana Education Quality Trust Fund in the Investment Division, pursuant to Act 16 of the Regular Session of 1995.

9. 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 to prior-year expenditures	$97
Lapsed in state treasury	418,792
Total	$418,889

10. OTHER CHARGES

In accordance with instructions of the Division of Administration, State Budget Office, certain expenditures of the department are designated as other charges. These amounts represent banking and other financial service charges as well as the State Bond Commission rebates and totaled $1,062,671 for the fiscal year.

The State Budget Office has designated these funds in this manner to identify the charges associated with state banking and investment activities. Under generally accepted accounting principles, these expenditures would have been recognized within their proper expenditure categories and objects.

11. DEFERRED COMPENSATION PLAN

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

12. LOUISIANA ASSET MANAGEMENT POOL EXPENDITURES

The Louisiana Asset Management Pool (LAMP) is organized as a nonprofit corporation under Louisiana law and Section 115 of the Internal Revenue Code of 1986, as amended. The purpose of LAMP is to provide a means by which public entities of the State of Louisiana may pool their funds for investment purposes. LAMP contracts with an investment adviser and a custodial bank to hold and manage such funds and may procure such other services as may be reasonably required to administer such funds. LAMP began its operations on December 23, 1993.

Before and after the commencement of LAMP operations, the Department of the Treasury paid LAMP expenditures out of its operating appropriation. Expenditures paid by the department for LAMP totaled $30,408 from its development in fiscal year 1993 through June 30, 1995. On

December 30, 1995, and April 1, 1996, LAMP repaid the department a total $20,000, leaving a balance of $10,408. The management of LAMP has indicated that it intends to repay the balance by December 31, 1996.

LAMP's by-laws, Article II, state, "Any obligation incurred by the Corporation shall be payable solely out of the income, revenues and receipts of the Corporation. In no event shall an act of the Corporation be deemed to create an obligation, whether general, special, debt, liability or otherwise of the office of the Treasurer, the Department of the Treasury, the State of Louisiana or any other public entity. . ." In accordance with its by-laws, LAMP has made plans to reimburse the department for the expenditures made out of the department's operating appropriation on LAMP's behalf. However, the date of repayment is uncertain as of the report date.

Under the revenue recognition provisions of the Division of Administration, Office of Statewide Reporting and Accounting Policy, 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. Because repayment was not made by LAMP within the 45-day period, no receivable is recognized in the department's financial statements.

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA

Schedule of Per Diem Paid
State Bond Commission Members
For the Year Ended June 30, 1996

	NUMBER	AMOUNT
Elias Ackal, Jr.	5	$375
John A. Alario, Jr.	8	600
Dennis Bagneris, Sr.*	7	525
James D. Cain*	1	75
Sherman Copelin, Jr.*	4	300
Mike Cross*	1	75
Jay Dardenne *	3	225
John Hainkel	1	75
Jon D. Johnson	8	600
Ron Landry*	1	75
Jerry LeBlanc	3	225
Mike McCleary*	2	150
Billy Montgomery*	2	150
Cecil Picard	3	225
B. B. Rayburn	6	450
Sean Reilly	2	150
John R. Smith	4	300
Steve Theriot	2	150
Warren Triche *	2	150
Total		$4,875

*These persons are not members of the State Bond Commission, but substituted for the members and were paid per diem.

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
MAJOR STATE REVENUES AND
INCOME NOT AVAILABLE
Schedule of Non-Appropriated Revenues, 1996

NON-APPROPRIATED REVENUE FUND SOURCE	CASH RECEIPTS THROUGH JUNE 30, 1996	ACCOUNTS RECEIVABLE AT JUNE 30, 1996	TOTAL REVENUES
Major state revenues: (Cont.)			
Mineral Revenue Audit and Settlement Fund	$1,240,736		$1,240,736
Miscellaneous receipts	2,992,860	($1)	2,992,859
Natural Heritage Account Fund	2,279		2,279
New Orleans Metro Convention and Bureau Fund	20,474		20,474
Oilfield Site Restoration Fund	366,869		366,869
Oil Spill Contingency	850,396		850,396
Oyster Development Account	1,572		1,572
Patient Compensation	3,111,518		3,111,518
Reptile and Amphibian Research	645		645
Rockefeller Refuge	1,675,160		1,675,160
Rockefeller Wildlife Special Appropriation	312,245		312,245
Rural Development Fund	6,785,056		6,785,056
Russell Sage/Marsh Island	75,471		75,471
Russell Sage/Marsh Island Refuge	543,014		543,014
Russell Sage/Marsh Island Special Appropriation	4,620		4,620
Russell Sage/Marsh Island Special Fund 2	40,661		40,661
Tidelands Fund	160		160
To Help Our Wild Life Fund	117		117
Transfer to/from other fund	2,756,841		2,756,841
Transportation Trust Fund	14,782,899		14,782,899
Victims Family Violence Checkoff	560		560
Volunteer Firefighters Insurance	2,302		2,302
Webster Parish Convention and Visitors Fund	102		102
Wetlands Conservation	3,739,561		3,739,561
Winn Parish Tourism Fund	50		50
Wildlife Protection Trust Fund	169,082		169,082
Youthful Offender Management	3,967		3,967
Subtotal - major state revenues	618,643,507	65,813,140	684,456,647
Total non-appropriated revenues	$618,852,845	$65,813,150	$684,665,995

(Concluded)

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
MAJOR STATE REVENUES AND INCOME NOT AVAILABLE

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

NON-APPROPRIATED REVENUE FUND SOURCE	CASH RECEIPTS THROUGH JUNE 30, 1996	ACCOUNTS RECEIVABLE AT JUNE 30, 1996	TOTAL REVENUES
Income not available - miscellaneous	$209,338	$10	$209,348
Major state revenues:			
General Fund - federal funds	3,461,288		3,461,288
Agricultural Products Processing Fund	795		795
Allen Parish Local Government Mitigation	788		788
Alcohol and Drug Abuse	145		145
Artificial Reef Development Fund	368,090		368,090
Avoyelles Parish Local Government Mitigation	1,379		1,379
Battered Women's Shelter	6,304	13,760	20,064
Blind Vendors Trust Fund	7,643		7,643
Calcasieu Visitor Trust Fund	1,101		1,101
Capital Outlay TIMED Reserve	*5,696,025*		*5,696,025*
Casino Gaming Proceeds Fund	11,999,461		11,999,461
Compulsive and Problem Gaming	41		41
Conservation Fund	119,741		119,741
Deficit and Shortfall Fund	351,484,585	50,391,590	401,876,175
Disability Affairs Trust	6,828		6,828
Drug Treatment Fund	4,437		4,437
DWI Test Maintenance and Training Fund	10,826		10,826
Education Quality Permanent Trust	15,835,814	1,843,552	17,679,366
Education Quality Support Fund	46,029,096	5,525,543	51,554,639
Federal Energy Settlement	6,552,517		6,552,517
Federal State Fiscal Assistance Trust Fund	26,326		26,326
Fur and Alligator Education Fund	12,949	67,160	80,109
Interest earnings	37,889,977		37,889,977
Keep Louisiana Beautiful Fund	296		296
Legal Support Fund	3,634		3,634
Literacy Fund	476		476
Louisiana Alligator Resource Fund	40,589		40,589
Louisiana Economic Development Fund	1,856,971		1,856,971
Louisiana Homeless Trust Fund	5,213		5,213
Louisiana Lottery Proceeds Fund	97,408,571	7,971,536	105,380,107
Louisiana Medical Assistance	335,599		335,599
Louisiana Special Olympics Checkoff	(3,586)		(3,586)
Louisiana Wild Turkey Stamp Fund	371		371

(Continued)