

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Public Service  
State of Louisiana  
Baton Rouge, Louisiana

December 10, 1997



***Financial and Compliance Audit Division***

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

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**LEGISLATIVE AUDITOR**

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

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

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

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1997  
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 10, 1997**

**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA**

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1997  
With Supplemental Information Schedules**

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
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November 24, 1997

Independent Auditor's Report  
on the Financial Statements

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

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1997, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of management of the Department of Public Service. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

**LEGISLATIVE AUDITOR**

**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA  
Audit Report, June 30, 1997**

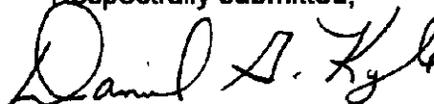
In our opinion, the special purpose financial statements referred to previously present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Public Service at June 30, 1997, and the transactions of the General Appropriation Fund for the year then ended, on the basis of accounting described in note 1-B.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 1997, on our consideration of the Department of Public Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

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

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RT:WMB:dl

[DPS]

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

**Balance Sheet (Legal Basis), June 30, 1997**

|  | APPROPRIATED<br>FUND -<br>GENERAL<br>APPROPRIATION | NON-APPROPRIATED FUNDS                                 |                 |                     | TOTAL<br>(MEMORANDUM<br>ONLY) |
|--|--|--|-----------------|---------------------|-------------------------------|
|  |  | MAJOR STATE<br>REVENUES AND<br>INCOME NOT<br>AVAILABLE | AGENCY<br>FUND  | PAYROLL<br>CLEARING |                               |
| <b>ASSETS</b>  |  |  |                 |                     |                               |
| Cash (note 1-C)  | \$346,180  | \$31,962   | \$10,327        | \$67,064            | \$455,533                     |
| Accounts receivable  | 170,593  | 55,283   |                 |                     | 225,876                       |
| Inventory of materials and<br>supplies (note 1-D)              | 26,147   |  |                 |                     | 26,147                        |
| <b>TOTAL ASSETS</b>  | <b>\$542,920</b>                                   | <b>\$87,245</b>  | <b>\$10,327</b> | <b>\$67,064</b>     | <b>\$707,556</b>              |
| <b>LIABILITIES AND FUND EQUITY</b>                             |  |  |                 |                     |                               |
| <b>Liabilities:</b>  |  |  |                 |                     |                               |
| Accounts payable   | \$57,679   |  |                 |                     | \$57,679                      |
| Payroll payable  | 157,001  |  |                 |                     | 157,001                       |
| Payroll deductions payable                                     |  |  |                 | \$29,705            | 29,705                        |
| Accrued employee benefits                                      |  |  |                 | 37,359              | 37,359                        |
| Deposits due others  |  |  | \$10,327        |                     | 10,327                        |
| Advance from state treasury (note 7)                           | 3,300  |  |                 |                     | 3,300                         |
| Due to other fund - Utility and Carrier                        |  |  |                 |                     |                               |
| Inspection and Supervision Fund                                | 454,695  |  |                 |                     | 454,695                       |
| Other liabilities  |  | \$87,245   |                 |                     | 87,245                        |
| <b>Total Liabilities</b>                                       | <b>672,675</b>                                     | <b>87,245</b>  | <b>10,327</b>   | <b>67,064</b>       | <b>837,311</b>                |
| <b>Fund Equity - fund balances:</b>                            |  |  |                 |                     |                               |
| Reserved for inventory of materials<br>and supplies (note 1-D) | 26,147   |  |                 |                     | 26,147                        |
| Unreserved - undesignated<br>(deficit) (note 8)                | (155,902)  |  |                 |                     | (155,902)                     |
| <b>Total Fund Equity</b>                                       | <b>(129,755)</b>                                   | <b>NONE</b>  | <b>NONE</b>     | <b>NONE</b>         | <b>(129,755)</b>              |
| <b>TOTAL LIABILITIES<br/>AND FUND EQUITY</b>                   | <b>\$542,920</b>                                   | <b>\$87,245</b>  | <b>\$10,327</b> | <b>\$67,064</b>     | <b>\$707,556</b>              |

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance (Legal Basis)  
For the Year Ended June 30, 1997**

**REVENUES**

|   |                 |
|---|-----------------|
| Appropriated by legislature - state General Fund<br>by fees and self-generated revenues | <u>\$13,444</u> |
|---|-----------------|

**EXPENDITURES**

|                                |                  |
|--------------------------------|------------------|
| Administrative                 | 2,842,863        |
| Utilities                      | 413,071          |
| Motor carriers                 | 1,016,290        |
| Rates, economics, and auditing | 611,814          |
| Total expenditures             | <u>4,884,038</u> |

|   |                    |
|---|--------------------|
| <b>EXCESS OF EXPENDITURES OVER REVENUES</b> | <u>(4,870,594)</u> |
|---|--------------------|

**OTHER APPROPRIATED FINANCING SOURCES (Uses)**

|   |                  |
|---|------------------|
| Transfers in                                      | 5,584,975        |
| Transfers out                                     | (730,573)        |
| Total other appropriated financing sources (uses) | <u>4,854,402</u> |

|   |          |
|---|----------|
| <b>EXCESS OF EXPENDITURES OVER<br/>REVENUES AND OTHER SOURCES</b> | (16,192) |
|---|----------|

|  |           |
|--|-----------|
| <b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b> | (138,306) |
|--|-----------|

|  |               |
|--|---------------|
| <b>INCREASE IN RESERVE FOR INVENTORY</b> | <u>24,743</u> |
|--|---------------|

|  |                           |
|--|---------------------------|
| <b>FUND BALANCE (Deficit) AT END OF YEAR</b> | <u><u>(\$129,755)</u></u> |
|--|---------------------------|

The accompanying notes are an integral part of this statement.

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**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Unexpended Appropriation - Budget  
Comparison of Current-Year Appropriation -  
Budget (Legal Basis) and Actual  
For the Year Ended June 30, 1997**

|   | <u>BUDGET</u>    | <u>ACTUAL</u>    | <u>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|---|------------------|------------------|---|
| <b>REVENUES</b>                                     |                  |                  |   |
| Appropriated by legislature:                        |                  |                  |   |
| General Fund - self-generated revenue               | \$15,000         | \$1,129          | (\$13,871)                                      |
| Other fund sources:                                 |                  |                  |   |
| Utility and Carrier Inspection and Supervision Fund | 3,555,297        | 3,241,157        | (314,140)                                       |
| Motor Carrier Regulation Fund                       | 1,097,254        | 1,015,037        | (82,217)  |
| Supplemental Fee Fund                               | 656,545          | 610,522          | (46,023)  |
| Total appropriated revenues                         | <u>5,324,096</u> | <u>4,867,845</u> | <u>(456,251)</u>                                |
| <b>EXPENDITURES</b>                                 |                  |                  |   |
| Appropriated for:                                   |                  |                  |   |
| Administration                                      | 3,032,204        | 2,831,206        | 200,998   |
| Utilities   | 422,100          | 411,050          | 11,050  |
| Motor carriers                                      | 1,213,247        | 1,015,067        | 198,180   |
| Rates, economics, and auditing                      | 656,545          | 610,522          | 46,023  |
| Total appropriated expenditures                     | <u>5,324,096</u> | <u>4,867,845</u> | <u>456,251</u>                                  |
| <b>UNEXPENDED APPROPRIATION -<br/>CURRENT YEAR</b>  | <u>NONE</u>      | <u>NONE</u>      | <u>NONE</u>                                     |

The accompanying notes are an integral part of this statement.

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**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1997

**INTRODUCTION**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. FUND ACCOUNTING**

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

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

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

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

**GENERAL APPROPRIATION FUND**

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

**NON-APPROPRIATED FUNDS**

**Major State Revenues and  
Income Not Available**

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

**Agency Fund**

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

**Payroll Clearing Fund**

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

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

**B. BASIS OF ACCOUNTING**

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

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

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

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

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

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

**Revenues**

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

**Expenditures**

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

**Other Financing Sources**

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

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

**C. CASH**

Cash is composed of the following:

|   |                         |
|---|-------------------------|
| Under control of the department:        |                         |
| Petty cash (in bank)                    | \$3,300                 |
| Cash in demand account                  | 42,289                  |
| Cash on deposit with the state treasury | <u>409,944</u>          |
| Total                                   | <u><u>\$455,533</u></u> |

Cash is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. The department has deposit balances (collected bank balances) of \$62,332 at June 30, 1997, for which the department has control. These deposits are secured fully from risk by \$62,332 of federal deposit insurance (GASB Risk Category 1).

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

|                   |                         |
|-------------------|-------------------------|
| Means of finance  | \$232,653               |
| Operating account | 110,227                 |
| Payroll clearing  | <u>67,064</u>           |
| Total             | <u><u>\$409,944</u></u> |

**D. INVENTORIES OF MATERIALS AND SUPPLIES**

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

**E. FIXED ASSETS**

At June 30, 1997, the department has stewardship responsibility for \$1,148,947 in governmental movable property, valued at historical cost at the time of acquisition.

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

Donated fixed assets, which comprise less than one percent of total assets, are valued at their fair market value on the date donated. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

| <u>Balance<br/>July 1,<br/>1996</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>June 30,<br/>1997</u> |
|-------------------------------------|------------------|------------------|--------------------------------------|
| <u>\$1,065,637</u>                  | <u>\$215,187</u> | <u>\$131,877</u> | <u>\$1,148,947</u>                   |

Except for the untimely reporting of property acquisitions to the Louisiana Property Assistance Agency, the department has complied with R.S. 39:321-332, the movable property statutes of the State of Louisiana.

**F. LONG-TERM OBLIGATIONS**

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

**G. ENCUMBRANCE ACCOUNTING**

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because 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, 1997.

**H. BUDGET PRACTICES**

The appropriation made for the general operations of the department is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that transfers in are recognized as revenues on Statement C and accruals of payroll at fiscal year-end are not recognized as expenditures on Statement C. Revenues per Statement B are reconciled with the amounts reflected on the budget comparison, Statement C, as follows:

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

|                         |                    |
|-------------------------|--------------------|
| Amounts per Statement B | \$13,444           |
| Transfers in            | 5,584,974          |
| Transfers out           | <u>(730,573)</u>   |
| Amounts per Statement C | <u>\$4,867,845</u> |

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

|                              |                    |
|------------------------------|--------------------|
| Amounts per Statement B      | \$4,884,038        |
| Prior-year payroll accrual   | 139,709            |
| Current-year payroll accrual | <u>(155,902)</u>   |
| Amounts per Statement C      | <u>\$4,867,845</u> |

The department is prohibited by statute from over expending the categories established in the general appropriation act. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation of \$5,311,138 plus an adjustment to increase revenues and expenditures by \$12,958 for a total of \$5,324,096.

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

**I. LEAVE BENEFITS**

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay, but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1997, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$279,675 for the General Appropriation Fund. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at June 30,

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

1997, computed in accordance with GASB Codification Section C60.105, is estimated to be \$421. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

**J. TOTAL COLUMN ON BALANCE SHEET**

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

**2. PENSION PLAN**

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, a multiple-employer, defined benefit pension plan. Required disclosures for the plan for fiscal year 1996-97 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

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

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1997, the costs of retiree benefits totaled \$20,608.

**4. JUDGMENTS, CLAIMS, AND  
SIMILAR CONTINGENCIES**

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

**5. LEASE OBLIGATIONS**

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

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

|              |                  |
|--------------|------------------|
| Fiscal Year: |                  |
| 1997-98      | \$324,605        |
| 1998-99      | 211,684          |
| 1999-2000    | 184,939          |
| 2000-2001    | 80,634           |
| 2001-2002    | <u>38,246</u>    |
| Total        | <u>\$840,108</u> |

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

**6. CHANGES IN AGENCY FUNDS**

A summary of changes in assets and liabilities follows:

|                         | Balance at<br>Beginning<br>of Year | Additions        | Deletions        | Balance at<br>End<br>of Year |
|-------------------------|------------------------------------|------------------|------------------|------------------------------|
| Assets - cash           | <u>\$2,427</u>                     | <u>\$813,137</u> | <u>\$805,237</u> | <u>\$10,327</u>              |
| Liabilities:            |                                    |                  |                  |                              |
| Due to other states     | \$2,412                            | \$810,865        | \$805,171        | \$8,106                      |
| Due to others - refunds | 15                                 | 2,271            | 65               | 2,221                        |
| Total Liabilities       | <u>\$2,427</u>                     | <u>\$813,136</u> | <u>\$805,236</u> | <u>\$10,327</u>              |

**7. ADVANCE FROM STATE TREASURY**

The department has received an advance from the state treasury for imprest fund operations totaling \$3,300. The advance, as reflected in the accompanying statements, represents a liability of the department and must be repaid if not authorized annually.

**8. FUND DEFICIT**

The General Appropriation Fund had a deficit of \$155,902 for the year ended June 30, 1997. The deficit was the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that revenues to fund those accruals are appropriated in the subsequent year. The deficit will be resolved by paying for salaries and related benefits from fiscal year 1998 funds appropriated to pay those obligations of the 1996-97 fiscal year.

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

**9. EXPENDITURES PAID BY OTHERS**

Certain professional service expenditures of the department are paid by various companies and/or cooperatives providing public service or utilities in the state. The payment of these expenditures by these public utilities is authorized by R.S. 45:1180-1181. The services are provided to the department for the purpose of assisting in evaluating and reviewing matters affecting services and rates charged by public utilities to Louisiana consumers and for representing the Public Service Commission in such cases, or the judicial review thereof. These expenditures incurred in the fiscal year ended June 30, 1997, and which are not included in the accompanying financial statements, are summarized as follows:

|                 |                    |
|-----------------|--------------------|
| Attorneys       | \$2,311,784        |
| Consultants     | 999,910            |
| Court reporters | <u>3,990</u>       |
| Total           | <u>\$3,315,684</u> |

**10. 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.

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**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Year Ended June 30, 1997**

**SCHEDULE OF CHANGES IN BALANCE**

Changes in balance for the Non-Appropriated - Payroll Clearing Fund for the year ended June 30, 1997, are presented in Schedule 1.

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

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

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

**Schedule of Changes in Balance  
For the Year Ended June 30, 1997**

|                                     |                        |
|-------------------------------------|------------------------|
| <b>BALANCE AT BEGINNING OF YEAR</b> | <b>\$64,609</b>        |
| <b>ADDITIONS</b>                    |                        |
| Payroll deduction deposits          | <u>1,614,656</u>       |
| Total                               | 1,679,265              |
| <b>DEDUCTIONS</b>                   |                        |
| Payroll deduction disbursements     | <u>(1,612,201)</u>     |
| <b>BALANCE AT END OF YEAR</b>       | <u><u>\$67,064</u></u> |

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

**Schedule of Non-Appropriated Revenues  
For the Year Ended June 30, 1997**

| <u>NON-APPROPRIATED<br/>REVENUE FUND SOURCE</u>         | <u>CASH<br/>RECEIPTS<br/>THROUGH<br/>JUNE 30,<br/>1997</u> | <u>ACCOUNTS<br/>RECEIVABLE<br/>JUNE 30,<br/>1997</u> | <u>TOTAL<br/>REVENUE</u> |
|---|--|--|--------------------------|
| Income not available - miscellaneous                    | \$654  | \$190  | \$844                    |
| Major state revenues:                                   |  |  |                          |
| Motor carrier fees                                      | 5,678,574  | 52,036   | 5,730,610                |
| Annual report   | 2,200  | 300  | 2,500                    |
| Common carrier certificate                              | 8,400  | 200  | 8,600                    |
| Contract carrier permit                                 | 1,150  | 150  | 1,300                    |
| Citation  | 8,260  | 220  | 8,480                    |
| Fines - illegal operations                              | 325  |  | 325                      |
| Late filing   | 90   |  | 90                       |
| Lease filing  | 1,500  |  | 1,500                    |
| Lobbyist registration                                   | 545  |  | 545                      |
| Name change   | 1,100  |  | 1,100                    |
| Rate application - increase                             | 550  |  | 550                      |
| Rate application - decrease                             | 700  |  | 700                      |
| Rate application - utilities                            | 200  |  | 200                      |
| Rehearing application                                   | 330  |  | 330                      |
| Reinstatement   | 1,505  |  | 1,505                    |
| Stock transfer  | 61,026   |  | 61,026                   |
| Sales non-state agency - merchandise<br>and commodities | 1,360  | 120  | 1,480                    |
| Sales non-state agency - services                       | 33,312   | 1,317  | 34,629                   |
| Receipts - miscellaneous                                | 35,000   | 750  | 35,750                   |
| Subtotal - major state revenues                         | <u>5,836,127</u>   | <u>55,093</u>  | <u>5,891,220</u>         |
| Total non-appropriated revenues                         | <u>\$5,836,781</u>   | <u>\$55,283</u>                                      | <u>\$5,892,064</u>       |

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**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



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

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
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November 24, 1997

Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of the Financial Statements

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

We have audited the special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1997, and have issued our report thereon dated November 24, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Department of Public Service's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under *Government Auditing Standards*.

**Untimely Update of Movable Property Records**

For the second consecutive year, the Department of Public Service did not update movable property records for items acquired during the year as required by state law. Louisiana Revised Statutes (R.S.) 39:324 requires the department to maintain a master inventory listing of movable property and requires the property manager to update the listing on a monthly basis by submitting all property transactions to the Commissioner of Administration. The Louisiana Administrative Code, Title 34, Chapter 3, Section 307A requires the department to tag movable property acquisitions and forward information to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of the property.

**LEGISLATIVE AUDITOR**

**DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA**  
Compliance and Internal Control Report  
November 24, 1997  
Page 2

In our test of movable property acquisitions, we determined that 59 items, totaling \$52,246, out of 85 items tested, totaling \$208,153, were not reported to LPAA within 45 days of receipt. The submission of inventory information to LPAA ranged from 49 to 179 days after receipt. The department did not follow its procedures to ensure that all asset acquisitions were reported timely to LPAA. Failure to timely report acquisitions increases the risk of errors and subjects the department to noncompliance with state laws and regulations.

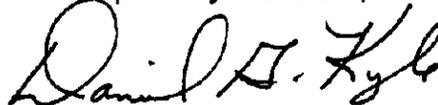
The Department of Public Service should ensure that all property and equipment is reported to LPAA as required by state movable property laws and regulations. In a letter dated November 14, 1997, Mr. Lawrence St. Blanc, Secretary, concurred with our finding and recommendation. He stated that the problem has already been corrected, and management will now conduct record reviews and obtain written reports to ensure proper procedures are followed and the 45-day time frame is met.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department of Public Service's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

RT:WMB:dl  
[DPS]