



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
SECRETARY FOR RESOURCES AGENCY
YEAR ENDED JUNE 30, 1978**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F- 806.3

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

806.3

FINANCIAL AUDIT REPORT
SECRETARY FOR RESOURCES AGENCY
YEAR ENDED JUNE 30, 1978

MAY 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

May 9, 1980

806.3

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Secretary for Resources Agency, year ended June 30, 1978.

The auditors are Curt Davis, CPA, Audit Manager; Michael Dendorfer, CPA; Romero Zamora; Ann Reicherter; and Teri Yee.

Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Secretary for Resources Agency. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Secretary for Resources Agency assists the Governor in establishing objectives of the administration and in formulating programs and policies governing the acquisition, development, and use of resources to accomplish these objectives. Towards this goal, the Secretary strives to ensure the protection of, as well as balance the management of California's natural resources and environment.

The programs of the Secretary for Resources Agency are supported by appropriations from the State's General Fund.

AUDITOR'S OPINION


To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Secretary for Resources Agency as of June 30, 1978 and the related statements of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Secretary for Resources Agency at June 30, 1978 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The columns on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1978 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The columns on the accompanying financial statements for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.



WESLEY E. JOSS
Assistant Auditor General

Date: June 30, 1979

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Romero Zamora
Ann Reicharter
Teri Yee

SECRETARY FOR RESOURCES AGENCY
 COMBINED BALANCE SHEET
 GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP
 JUNE 30, 1978
 (With Unaudited Amounts for 1977)

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Totals</u>	
	<u>General</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u> <u>June 30, 1978</u>	<u>June 30, 1977</u>
Cash	\$ 65,113	\$ --	\$ 65,113	\$ 10,352
Accounts receivable	62,975	--	62,975	8,500
Expense advance to employees	2,561	--	2,561	3,020
Prepayments to other funds	4,316	--	4,316	4,129
Equipment	--	14,555	14,555	10,980
Advance to Architecture Revolving Fund	--	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
Total Assets	<u>\$ 134,965</u>	<u>\$32,555</u>	<u>\$ 167,520</u>	<u>\$ 54,981</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 88,124	\$ --	\$ 88,124	\$ 227,557
Encumbrances Outstanding	<u>175,690</u>	--	<u>175,690</u>	<u>177,845</u>
Fund Equity:				
Investment in fixed assets	--	14,555	14,555	10,980
Reserved for construction	--	18,000	18,000	18,000
Operating clearing (Note 4)	<u>(128,849)</u>	--	<u>(128,849)</u>	<u>(379,401)</u>
Total Fund Equity	<u>(128,849)</u>	<u>32,555</u>	<u>(96,294)</u>	<u>(350,421)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 134,965</u>	<u>\$32,555</u>	<u>\$ 167,520</u>	<u>\$ 54,981</u>

The notes to the financial statements are an integral part of this statement.

SECRETARY FOR RESOURCES AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1978
(With Unaudited Amounts for 1977)

	1978			1977
	Budget as Adjusted	Actual	Variance	Actual
Financing Sources: (Note 2)				
Support appropriation (Note 3)	\$1,894,322	\$1,825,039	\$ 69,283	\$1,429,954
Reimbursements	<u>88,935</u>	<u>98,317</u>	<u>9,382</u>	<u>195</u>
Total Financing Sources	<u>1,983,257</u>	<u>1,923,356</u>	<u>59,901</u>	<u>1,430,149</u>
Expenditures: (Note 2)				
Current:				
Personal services	631,760	547,852	83,908	402,308
Operating expenses	684,128	546,776	137,352	359,685
Equipment	3,434	3,064	370	6,799
Tahoe Regional Planning Agency Grants to public and higher education projects	<u>75,000</u>	<u>75,112</u>	<u>(112)</u>	<u>200,710</u>
	<u>500,000</u>	<u>500,000</u>	<u>--</u>	<u>494,168</u>
Total Expenditures	<u>1,894,322</u>	<u>1,672,804</u>	<u>221,518</u>	<u>1,463,670</u>
Excess of Sources over (under) Expenditures	<u>\$ 88,935</u>	250,552	<u>\$ 161,617</u>	(33,521)
Operating Clearing - July 1		<u>(379,401)</u>		<u>(345,880)</u>
Operating Clearing - June 30		<u>\$ (128,849)</u>		<u>\$ (379,401)</u>

The notes to the financial statements are an integral part of this statement.

SECRETARY FOR RESOURCES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Secretary for Resources Agency. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The Secretary for Resources Agency accounts for only its portion of the fund type category. The State Controller maintains the central accounts for all state funds and annually publishes consolidated fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the Governmental Fund Type in the Secretary for Resources Agency.

General Fund

This fund includes all financial resources not accounted for in another fund. The General Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the agency are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The agency's share of retirement contributions for the year totaled \$59,764.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$3,575 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The accounts shown under "Budget as Adjusted" for financing sources and detailed expenditure accounts reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. SUPPORT APPROPRIATION

Support appropriation is the portion of the General Fund which the legislative Budget Act allocated to the Secretary for Resources Agency.

4. OPERATING CLEARING

This account is the connecting link between the books of the various state agencies and the central fund accounts of the State Controller's Office for the General Fund and other funds not accounted for entirely by one agency.

OTHER INFORMATION

For the fiscal year ended June 30, 1978, the Department of Forestry maintained the fiscal records for the Secretary for Resources Agency.

As an integral part of our examination, we reviewed the agency's accounting procedures and related system of internal accounting control as they relate to the Secretary for Resources Agency, to the extent we considered necessary to properly form an opinion concerning the fairness with which the agency's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the Department of Forestry in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps