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**THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD
PARISH OF CALCASIEU, LOUISIANA**

**ANNUAL GENERAL PURPOSE FINANCIAL REPORT
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
DECEMBER 31, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-23-00

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD
PARISH OF CALCASIEU, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Fourteenth Judicial District
Indigent Defender Board
Parish of Calcasieu, Louisiana
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of the Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana (the Board), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, as of December 31, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2000, on our consideration of The Fourteenth Judicial District Indigent Defender Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Mc Elroy, Quirk + Burch

Lake Charles, Louisiana
May 15, 2000

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET
December 31, 1999

ASSETS	Governmental Funds- General Fund	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	1999	1998
Cash-operating	\$ 1,866	\$ -	\$ -	\$ 1,866	\$ 5,387
Cash-board account	130,859	-	-	130,859	99,889
Cash and cash equivalents- contingent fund	150,744	-	-	150,744	181,293
Restricted assets:					
Cash-district assistance fund	344,864	-	-	344,864	336,864
Receivable-district assistance fund	-	-	-	-	67,500
Receivables:					
Court cost on fines and forfeitures	67,235	-	-	67,235	37,522
Accrued interest	-	-	-	-	64
Fixed assets	-	144,352	-	144,352	133,646
Amount to be provided for retirement of general long- term obligations	-	-	1,000	1,000	1,363
Total assets	\$ 695,568	\$ 144,352	\$ 1,000	\$ 840,920	\$ 863,528
LIABILITIES AND FUND BALANCE					
Liabilities:					
Lease purchase contract	\$ -	\$ -	\$ -	\$ -	\$ 363
Accounts payable	3,607	-	-	3,607	8,491
Accounts payable (payable from restricted assets)	-	-	-	-	8,970
Payroll taxes payable	1,138	-	-	1,138	48
Annual leave payable	37,803	-	1,000	38,803	29,688
Other liabilities	2,764	-	-	2,764	2,693
Total liabilities	45,312	-	1,000	46,312	50,253
Fund balance:					
Investment in general fixed assets	-	144,352	-	144,352	133,646
Fund balance:					
Reserved for district assistance fund	344,864	-	-	344,864	395,394
Designated for operating costs	271,547	-	-	271,547	242,880
Unreserved-undesignated	33,845	-	-	33,845	41,355
Total fund balance	650,256	144,352	-	794,608	813,275
Total liabilities and fund balance	\$ 695,568	\$ 144,352	\$ 1,000	\$ 840,920	\$ 863,528

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 1999
With Comparative Amounts for the Year Ended December 31, 1998

	<u>General Fund</u>	
	<u>1999</u>	<u>1998</u>
Revenues:		
Court costs on fines and forfeitures	\$ 907,402	\$ 841,428
Intergovernmental revenue:		
Grants-Louisiana Indigent Defender Board	138,271	232,161
Fees from indigents	5,054	7,500
Use of money and property - interest earnings	<u>17,157</u>	<u>21,151</u>
Total revenues	<u>1,067,884</u>	<u>1,102,240</u>
Expenditures:		
General government-judicial:		
Salaries and related benefits	685,689	599,065
Professional services	257,023	236,480
Litigation support	17,880	2,444
Library	6,726	5,860
Material and supplies	18,234	21,179
Travel	3,378	4,852
Rent	64,434	63,858
Telephone	10,595	10,651
Other operating expenditures	22,221	26,889
Capital outlay and equipment	10,706	12,896
Debt service:		
Principal	363	1,979
Interest	<u>8</u>	<u>241</u>
Total expenditures	<u>1,097,257</u>	<u>986,394</u>
Excess of revenues over expenditures	(29,373)	115,846
Fund balance, beginning	<u>679,629</u>	<u>563,783</u>
Fund balance, ending	<u>\$ 650,256</u>	<u>\$ 679,629</u>

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND

Year Ended December 31, 1999

With Comparative Actual Amounts for the Year Ended December 31, 1998

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Revenues:				
Court costs on fines and forfeitures	\$ 877,823	\$ 878,513	\$ 690	\$ 851,031
Intergovernmental revenues:				
Grant-Louisiana Indigent Defender Board	205,771	205,771	-	164,661
Fees from indigents	4,119	4,019	(100)	7,791
Use of money and property-interest earnings	8,020	17,221	9,201	21,155
Total revenues	<u>1,095,733</u>	<u>1,105,524</u>	<u>9,791</u>	<u>1,044,638</u>
Expenditures:				
General government-judicial:				
Salaries and related benefits	679,417	676,574	2,843	591,094
Professional services	23,306	257,023	(233,717)	232,810
Litigation support	11,500	17,880	(6,380)	2,444
Library	6,726	6,726	-	5,860
Materials and supplies	14,182	17,939	(3,757)	21,179
Travel	3,349	3,378	(29)	4,852
Rent	64,355	64,434	(79)	63,858
Telephone	10,700	10,595	105	10,651
Other operating expenditures	80,391	18,909	61,482	22,309
Capital outlay and equipment	-	10,706	(10,706)	3,928
Total expenditures	<u>893,926</u>	<u>1,084,164</u>	<u>(190,238)</u>	<u>958,985</u>
Excess of revenues over expenditures (budgetary basis)	<u>\$ 201,807</u>	21,360	<u>\$ (180,447)</u>	85,653

(continued on next page)

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 1999
With Comparative Actual Amounts for the Year Ended December 31, 1998
(Continued)

	1999		1998
	Budget	Actual	Actual
		Variance Favorable (Unfavorable)	
Adjustments:			
To adjust revenues for accruals		(37,640)	57,602
To adjust expenditures for accruals		(12,722)	(25,189)
Debt service:			
Principal		(363)	(1,979)
Interest		(8)	(241)
Excess of revenues over expenditures (GAAP basis)		(29,373)	115,846
Fund balance, beginning		679,629	563,783
Fund balance, ending		<u>\$ 650,256</u>	<u>\$ 679,629</u>

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 1999

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Fourteenth Judicial District Indigent Defender Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana (the Board), is established in compliance with Louisiana Revised Statutes 15:144-149, to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The judicial district encompasses the Parish of Calcasieu, Louisiana.

The Indigent Defender Board is composed of six board members appointed by the judges of the Fourteenth Judicial District Courts. Compensation for services is prohibited and members of the Board were paid no per diem payments or compensation during 1999 by the Board for their services on The Fourteenth Judicial District Indigent Defender Board. The Board employs eighteen employees and six contract attorneys.

The Indigent Defender Board is a component unit of the Calcasieu Parish Police Jury, the primary government which is financially accountable for the Board. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

NOTES TO FINANCIAL STATEMENTS

The financial statements of the Board include all operations and activities under control and authority of the Board and it was determined that no other agency should be included in this reporting entity.

C. FUND ACCOUNTING

The board uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The financial statements in this report are grouped into one governmental fund type, the General Fund, and two account groups, the General Fixed Assets Account Group and the General Long-Term Obligations Account Group.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets.

The Board's records are maintained on a cash basis of accounting. However, the funds reported in the accompanying financial statements have been converted to a modified accrual basis of accounting utilizing the following practices:

NOTES TO FINANCIAL STATEMENTS

Revenues

Revenues collected in the current period that were measurable and available as net current assets of the prior period are adjusted out of current revenue. Uncollected revenues that are measurable and available as net current assets of the current period are recognized as revenue. Court costs are considered "measurable" when in the hands of the various courts. Grant income is considered measurable when received.

Expenditures

Expenditures are adjusted to record in the current period only those expenditures for which the related fund liability was incurred in the current period.

Pervasiveness of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. BUDGET PRACTICES

The Director prepares a proposed annual budget and submits same to the Board of Directors no later than fifteen days prior to the beginning of each fiscal year. The budget includes proposed expenditures and the means of financing them.

The budget is employed as a management tool during the year by the Board of Directors; however, all expenditures are approved by the Directors on a monthly basis and revenue is reviewed monthly. Any revisions that alter total expenditures are approved by the Board.

NOTES TO FINANCIAL STATEMENTS

The budget for the Board is adopted on the cash basis, which is not in conformity with generally accepted accounting principles (GAAP). All budgetary proposed expenditures lapse at the end of each year. During 1999 an amended budget was adopted at the December 28th board meeting. Encumbrance accounting is not used.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and U. S. Treasury bills with original maturities of 90 days or less.

Under state law, the Board may deposit funds within a fiscal agent bank in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Further, the Board may invest in United States bonds, treasury notes, or certificates, time deposits of state banks organized under Louisiana law and national banks, or any other federally insured investment.

G. FIXED ASSETS

Fixed assets used in governmental fund type operations are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

H. COMPENSATED ABSENCES

The Board has the following policy related to vacation and sick leave:

The cost of current leave privileges is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of vacation leave not requiring current resources is recorded in the general long-term obligations account group.

Sick pay is not vested and, therefore, is not recorded as a liability in the accompanying financial statements. Other than maternity leave of six weeks, there is no formal sick pay plan.

NOTES TO FINANCIAL STATEMENTS

I. BAD DEBTS

No reserve for uncollectible receivables had been recorded as of December 31, 1999, as all receivables were considered collectible.

J. FUND EQUITY

Reserves:

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Grant revenue received from the Louisiana Indigent Defender Board is restricted in accordance with the grant agreement.

Designated fund balance:

Designated fund balances represent tentative plans for future use of financial resources. The Board had designated \$271,547 of its General Fund equity for anticipated operating costs of the public defender's office as of December 31, 1999 and \$242,880 as of December 31, 1998.

K. COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Board's financial position and operations. However, presentation of prior year's totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

L. TOTAL COLUMNS ON STATEMENTS

The total columns of the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTES TO FINANCIAL STATEMENTS

Note 2. CASH AND CASH EQUIVALENTS

At December 31, 1999 and 1998, the Board had cash and cash equivalents (book balances) as follows:

	1999	1998
Demand deposits	\$ 477,589	\$ 442,140
Certificates of deposit	-	37,284
Daily cash accumulation fund	150,744	144,009
Total	\$ 628,333	\$ 623,433

The Board's deposits (or the resulting bank balances), under state law, 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. As of December 31, 1999 and 1998, the Board's deposits as of the balance sheet date were entirely covered by FDIC insurance or by pledge of securities owned by the financial institution in the Board's name. The deposits at December 31, 1999 and 1998 classified to give an indication of the level of risk assumed by the Board are as follows:

	Demand Deposits	Certificates of Deposit
December 31, 1999		
Carrying amount	\$ 628,333	\$ -
Bank balances:		
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 100,000	\$ -
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	404,199	-
c. Uncollateralized, including any securities held for the entity but not in the entity's name	150,744	-
Total bank balances	\$ 654,943	\$ -

NOTES TO FINANCIAL STATEMENTS

December 31, 1998	<u>Demand Deposits</u>	<u>Certificates of Deposit</u>
Carrying amount	<u>\$ 586,149</u>	<u>\$ 37,284</u>
Bank balances:		
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 100,000	\$ -
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	364,089	37,284
c. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>144,009</u>	<u>-</u>
Total bank balances	<u>\$ 608,098</u>	<u>\$ 37,284</u>

Note 3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

Furniture and equipment:	
Balance January 1, 1999	\$ 133,646
Additions	10,706
Disposals	<u>-</u>
Balance December 31, 1999	<u>\$ 144,352</u>

Note 4. GRANTS - LOUISIANA INDIGENT DEFENDER BOARD

The Board has received grant revenue from the Louisiana Indigent Defender Board (LIDB) in order to provide supplemental funding for the defense of indigent persons accused of capital and felony crimes. The funds from these grants are restricted to the specific uses as determined by the LIDB at the time the funds are granted. The funds received from these grants and the related expenditures during the years ended December 31, 1999 and 1998 were as follows:

NOTES TO FINANCIAL STATEMENTS

	1999	1998
Revenues:		
Grants received	\$ 138,271	\$ 232,161
Use of money and property-interest earnings	9,543	10,215
Expert witness fees reimbursed	-	-
Total revenues	147,814	242,376
Expenditures:		
Salaries and related benefits	168,549	134,260
Professional services	51,777	28,511
Material and supplies	1,677	1,434
Other operating expenditures	-	900
Capital outlay and equipment	2,688	-
Total expenditures	224,691	165,105
Excess revenues over expenditures	\$ (76,877)	\$ 77,271

Note 5. PENSION PLAN

Substantially all of the Board's employees participate in the federal social security program. The Board is required to remit an amount to the Social Security Administration equal to the employee's contribution.

Note 6. CAPITAL LEASE

The Board has entered into a lease agreement as lessee for financing the acquisition of telephone equipment. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The carrying value of the telephone equipment recorded in the General Fixed Assets account group totaled \$8,238 at December 31, 1999 and 1998. The lease purchase contract was paid off during 1999.

NOTES TO FINANCIAL STATEMENTS

Note 7. OPERATING LEASE

Effective August 3, 1993, the Board entered into a five year lease agreement for the rental of office space in the Bank One Building, Lake Charles, Louisiana. Upon expiration of this lease in July, 1998, the Board did not renew the lease agreement and remained in the office space on a month to month basis. These monthly payments are currently \$5,322 per month.

Note 8. BUDGETARY - GAAP REPORTING RECONCILIATION

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual-General Fund presents comparisons of the adopted budget (more fully described in Note 1) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis differences in excess (deficiency) of revenues over expenditures for the year ended December 31, 1999 is presented on the budgetary comparison statement, Statement C.

Note 9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Total</u>
Long-term obligations payable at December 31, 1998	\$ 1,000	\$ 363	\$ 1,363
Deductions	-	(363)	(363)
Long-term obligations payable at December 31, 1999	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. SUBSEQUENT EVENTS

In February 2000, the Board entered into an operating lease agreement to occupy and use office space for a term of five years beginning April 1, 2000, at a rate of \$10,560 per month.

Following is a schedule of the future minimum lease payments:

<u>Year Ended</u> <u>December 31,</u>	
2000	\$ 95,040
2001	126,720
2002	126,720
2003	126,720
2004	126,720
Thereafter	<u>31,680</u>
	<u>\$ 633,600</u>

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
The Fourteenth Judicial District
Indigent Defender Board
Parish of Calcasieu, Louisiana
Lake Charles, Louisiana

We have audited the financial statements of the Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 15, 2000. 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 Fourteenth Judicial District Indigent Defender Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those 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 is required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in The Fourteenth Judicial District Indigent Defender Board's 1999 financial statements.

The Board failed to comply with LA Revised Statute 39:1310 which requires budget amendments when total actual expenditures and other uses exceed or fail to meet total budget expenditures and other uses by five percent or more. For the year ended December 31, 1999, General Fund expenditures and other uses failed to meet budgeted expenditures and other uses by 21.3%.

The Board failed to comply with LA Revised Statute 33:2955 which restricts governmental funds from being invested in money market accounts other than those that meet the requirements described in Note 1, F of the notes to the financial statements.

We considered these instances of noncompliance in forming our opinion on whether The Fourteenth Judicial District Indigent Defender Board, December 31, 1999 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated May 8, 2000 on those financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fourteenth Judicial District Indigent Defender Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fourteenth Judicial District Indigent Defender Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

An effective internal control structure is dependent to a great extent on segregation of responsibilities for initiating, evaluating, and approving transactions from those for detail accounting and other related functions. Because of the small size of the Board's office staff, the opportunity for segregation of duties is limited. The Board's involvement in review of operations and approval of all expenditures does mitigate to some extent this weakness.

Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of responsibilities. Management does intend to continue its involvement in the review and approval of all expenditures.

For the year ended December 31, 1999, General Fund actual expenditures and other uses failed to meet total budget expenditures and other uses by 21.3%. LA Revised Statute 39:1310 requires budget amendments when total actual revenues and other sources or expenditures and other uses exceed or fail to meet total budget revenues and other sources or expenditures and other uses by five percent or more.

Management responded that all expenditures are approved monthly by the Board of Directors.

At December 31, 1999 the Board had funds invested in a money market account that failed to comply with LA Revised Statute 33:2955 which restricts the type of investments that governmental funds may be invested in.

Management responded that the investments will be transferred.

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 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Ms. Elroy, Quirk & Burch

Lake Charles, Louisiana
May 15, 2000