

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

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2017

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## THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

### Management's Discussion and Analysis

Within this section of The Fourteenth Judicial District Indigent Defender Fund's (District) financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the year ended June 30, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### FINANCIAL HIGHLIGHTS

- The District's assets were in excess of its liabilities by \$986,145(net position) for the fiscal year reported.
- Total revenues of \$2,421,150 were less than total expenses of \$2,079,942, which resulted in current year income of \$341,208, compared to a prior year loss of \$292,758.
- Total net position are comprised of the following:
  - (1) Net Investment in capital assets, of \$12,015 includes property and equipment, net of accumulated depreciation. There is no outstanding debt related to the purchase or construction of capital assets.
  - (2) Unrestricted net position of \$974,130represent the portion available to maintain the District's continuing obligations.
- Overall, the District is continuing to work to improve on this financial position; however, funding sources are limited.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

#### OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

## THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

### Management's Discussion and Analysis (Continued)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the revenue base, or the condition of District fixed assets in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the District's net assets changed during the current period. All current period revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided to the District.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by court costs and from activities that are intended to recover all or a significant portion of their costs through user fees and charges.

#### FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole.

The District has one kind of fund:

*Governmental fund* is reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the period. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Management's Discussion and Analysis (Continued)

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. This schedule demonstrates compliance with the District's adopted and final revised budget.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at June 30, 2017 is \$986,145. The following table provides a summary of the District's net position:

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 1,023,885	\$ 680,520
Capital assets, net	<u>12,015</u>	<u>13,080</u>
Total assets	1,035,900	693,600
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	<u>49,755</u>	<u>48,663</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets	12,015	13,080
Unrestricted	<u>974,130</u>	<u>631,857</u>
Total net position	<u>\$ 986,145</u>	<u>\$ 644,937</u>

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Management's Discussion and Analysis (Continued)

The District rebounded to reflect an increase in current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 20.6 to 1 (14.0 for 2016)

Note that approximately 1% (2% for 2016) of the governmental activities' net position are tied up in capital assets. The District uses these capital assets to provide services to its citizens.

Overall, the District reports net position of \$986,145. This amount is \$341,208 higher than last year. The District's overall financial position improved during fiscal year 2017.

The following table provides a summary of the District's changes in net position:

	Year Ended <u>06/30/17</u>	Year Ended <u>06/30/16</u>
Revenues	\$ 2,421,150	\$ 2,356,845
Expenses	<u>2,079,942</u>	<u>2,064,087</u>
Change in Net Assets	341,208	292,758
Beginning Net Assets	<u>644,937</u>	<u>352,179</u>
Ending Net Assets	<u>\$ 986,145</u>	<u>\$ 644,937</u>

GOVERNMENTAL REVENUES

The District is heavily reliant on court costs to support governmental operations. Court costs provided 43% (43% for the year ended 2016) of the District's total revenues. As a result, the court system has a major impact on the District's revenue stream.

BUDGETARY HIGHLIGHTS

When the original budget was adopted, it was anticipated that the total revenues were going to be \$458,480 less than the previous fiscal year's final budget, mainly due to a decrease in intergovernmental revenues. The total budget expenditures were anticipated to be \$351,426 more than the previous year's final budget, mainly due to professional services and salaries and benefits. The budget was amended once during the year, the revenues mainly for an increase in court costs revenues of \$346,307 and the expenditures a decrease of \$337,515, mainly for professional services and salaries and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's net investment in capital assets, net of accumulated depreciation as of June 30, 2017, was \$12,015. See Note B for additional information about changes in capital assets during the period and outstanding at the end of the period. The following table provides a summary of capital asset activity.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Management's Discussion and Analysis (Continued)

	<u>06/30/17</u>	<u>06/30/16</u>
Depreciable assets:		
Equipment	\$ 173,666	\$ 171,203
Less accumulated depreciation	<u>161,651</u>	<u>158,123</u>
Book value-depreciable assets	<u>\$ 12,015</u>	<u>\$ 13,080</u>
Percentage depreciated	<u>93 %</u>	<u>92 %</u>
Book value-all assets	<u>\$ 12,015</u>	<u>\$ 13,080</u>

Additions for the current year were a computer and two file cabinets.

LONG-TERM DEBT

At the end of the year, the District had no debt.

ECONOMIC CONDITIONS AFFECTING THE DISTRICT

Since the primary revenue stream for the District is court costs, the District's court costs revenues are subject to changes in the court system without regard to District operating expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District at P.O. BOX 3757, Lake Charles, LA 70602.



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
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BRIAN MCCAIN, C.P.A.

INDEPENDENT AUDITORS' REPORT

November 16, 2017

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Fourteenth Judicial District Indigent Defender Fund, a component unit of the Louisiana Public Defender Board, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

Board of Directors  
The Fourteenth Judicial District Indigent Defender Fund  
November 16, 2017  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Fourteenth Judicial District Indigent Defender Fund as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

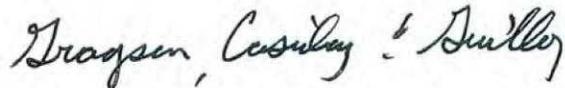
#### *Other Information*

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note F to the financial statement, the District has had recurring losses from operations in prior years which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note F. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Fourteenth Judicial District Indigent Defender Board's basic financial statements. The schedule of compensation, benefits and other payments to chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to chief executive officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of the Fourteenth Judicial District Indigent Defender Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Fourteenth Judicial District Indigent Defender Board's internal control over financial reporting and compliance.



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Statement of Net Position

June 30, 2017

ASSETS	
Cash	\$ 715,005
Receivables - court cost	276,257
Prepaid insurance	32,623
Capital assets, net	12,015
Total assets	<u>1,035,900</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
LIABILITIES	
Accounts payable	44,073
Payroll taxes payable	5,682
Total liabilities	<u>49,755</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>-</u>
NET POSITION	
Invested in capital assets	12,015
Unrestricted	974,130
Total net position	<u>\$ 986,145</u>

See accompanying notes.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Statement of Activities

Year Ended June 30, 2017

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Changes in Net Position</u>
		<u>Services</u>	<u>and Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General government	\$ 2,079,942	\$ 1,166,089	\$ 1,253,453	\$ 339,600
		General Revenues:		
		Interest income		1,004
		Other income		604
		Change in Net Position		<u>341,208</u>
		Net Position, beginning		<u>644,937</u>
		Net Position, ending		<u>\$ 986,145</u>

See accompanying notes.

FUND FINANCIAL STATEMENTS

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Balance Sheet - Governmental Fund

June 30, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 715,005	\$ 557,637
Receivables		
Court costs	276,257	91,413
Prepaid insurance	<u>32,623</u>	<u>31,470</u>
Total assets	<u>1,023,885</u>	<u>680,520</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$1,023,885</u>	<u>\$ 680,520</u>
LIABILITIES		
Accounts payable	\$ 44,073	\$ 44,703
Payroll taxes payable	<u>5,682</u>	<u>3,960</u>
Total liabilities	<u>49,755</u>	<u>48,663</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
FUND BALANCE		
Unassigned	<u>974,130</u>	<u>631,857</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$1,023,885</u>	<u>\$ 680,520</u>

See accompanying notes.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Reconciliation of the Balance Sheet-Governmental Fund to the  
Statement of Net Position

June 30, 2017

Total fund balance for governmental fund at June 30, 2017	\$ 974,130
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital assets, net of \$161,652 accumulated depreciation	<u>12,015</u>
Total net position of governmental activities at June 30, 2017	<u>\$ 986,145</u>

See accompanying notes.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Fund

Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
REVENUES		
Court costs on fines and forfeitures	\$ 1,046,513	\$ 1,002,705
Intergovernmental	1,253,453	1,262,230
Fees from individuals	119,576	90,562
Interest income	1,004	461
Other income	604	887
TOTAL REVENUES	<u>2,421,150</u>	<u>2,356,845</u>
EXPENDITURES		
General Government		
Salaries and related benefits	1,500,703	1,472,242
Professional services	452,412	448,739
Litigation support	4,100	38
Library	22,768	22,073
Material and supplies	36,819	33,026
Travel	6,181	7,245
Rent	-	32,208
Telephone	7,445	7,340
Other operating expenditures	45,985	38,562
Capital Outlay	2,464	9,839
TOTAL EXPENDITURES	<u>2,078,877</u>	<u>2,071,312</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	342,273	285,533
FUND BALANCE - BEGINNING	<u>631,857</u>	<u>346,324</u>
FUND BALANCE - ENDING	<u>\$ 974,130</u>	<u>\$ 631,857</u>

See accompanying notes.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance-Governmental Fund to the Statement of Activities

Year Ended June 30, 2017

Total net changes in fund balance at June 30, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balance			\$ 342,273
The change in net position reported for governmental activities in the statement of activities different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	2,464	
Depreciation expense for the year ended June 30, 2017		<u>(3,529)</u>	<u>(1,065)</u>
Total changes in net position at June 30, 2017 per Statement of Activities			<u>\$ 341,208</u>

See accompanying notes.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fourteenth Judicial District Indigent Defender Fund, Parish of Calcasieu, Louisiana (District), 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 more significant of the government's accounting policies are described below.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Fourteenth Judicial District Indigent Defender Fund includes all funds, account groups, et cetera, that are within the oversight responsibility of the Fourteenth Judicial District Indigent Defender Fund.

As the governing authority, for reporting purposes, the Louisiana Public Defender Board is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Louisiana Public Defender Board for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes Basic to Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body and
  - a. The ability of the Louisiana Public Defender Board to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Louisiana Public Defender Board.
2. Organizations for which the Louisiana Public Defender Board does not appoint a voting majority but are fiscally dependent on the Louisiana Public Defender Board.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the application of these criteria, the Fourteenth Judicial District Indigent Defender Fund is a component unit of Louisiana Public Defender Board.

2. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through court costs, intergovernmental revenues, and other nonexchange revenues.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of services offered by the District; and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

The District has one fund, the General Fund, which is therefore considered its major fund.

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, the activities are presented using the economic resources measurement focus. In the fund financial statements, the "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

In the government-wide statement of net position and statement of activities, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

4. Cash

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds 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.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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. At June 30, 2017 the carrying amount was \$715,005 and the bank balance was \$735,164. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$485,164 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets

A budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the district's Board of Directors for review. The board may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Expenditures may not legally exceed budgeted appropriations at the activity level.

The budget was amended once during 2017.

6. Accounts Receivable

No reserve for uncollectible receivables had been recorded as of June 30, 2017, as all receivables were considered collectible.

7. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$500.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	3-7 years
-----------	-----------

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

8. Compensated Absences

All permanent, full-time employees earn from 22 to 42 days of vacation and sick leave each year, depending upon length of service. Leave is available for use by employees in the fiscal year it was earned.

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Net investment in capital assets— Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned and unassigned.

- a. Restricted fund balance - includes fund balance amounts that are intended to be used for specific purposes based on generally outside actions.
- b. Assigned fund balance – includes fund balance amounts that are intended to be used for specific purposes based on internal (board) actions.
- c. Unassigned fund balance – includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and finally, the unassigned fund balance.

11. Subsequent Events

Management has evaluated subsequent events through November 16, 2017, the date the financial statements were available to be issued.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statement in order to provide an understanding of changes in the District's financial position and operations.

NOTE B - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Equipment	\$ 171,203	\$ 2,464	\$ -	\$ 173,667
Less accumulated depreciation for:				
Equipment	<u>158,123</u>	<u>3,529</u>	<u>-</u>	<u>161,652</u>
Governmental activities capital assets, net	<u>\$ 13,080</u>	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ 12,015</u>

NOTE C - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE D - PENSION PLAN

Beginning in October 2011, the District offers a Savings Incentive Match Plan for Employees of a Small Employers (SIMPLE). Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation and who have received at least \$5,000 in compensation during any 2 calendar years preceding the current calendar year. Mutual of America serves as the Designated Financial Institution (DFI) under the Plan. The District will make a matching contribution equal to an employee's salary reduction contribution, up to a limit of 3% of the employee's compensation for the year. For the year ended June 30, 2017, employees deferred \$43,109 of their compensation and employer contributions totaled \$22,898.

# THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

## Notes to Basic Financial Statements

June 30, 2017

### NOTE E – OPERATING LEASE

On November 22, 2011, the District entered into a three year lease for office building space commencing on December 19, 2011. The lease was extended for an additional two years commencing on January 1, 2015, however, effective April 1, 2016, the Calcasieu Parish Police Jury suspended rent payments pending a determination regarding future Public Defender's operational funding source. Rent expense for the year ended June 30, 2017 amounted to \$-.

### NOTE F - GOING CONCERN CONSIDERATIONS

During the past several years, the District has experienced recurring operating losses and negative cash flows that have resulted in net asset deficits. The District is attempting to maintain the funding sources at the 2016 levels to stabilize annual operating profits, but the outlook for next year is that these levels will not be approached. The District and its management have been aware of and are concerned about the level of statutory funding for the operations of the District. Article 1, Section 13, of the 1974 Constitution of Louisiana provides, in part, the following:

“The legislature shall provide a uniform system of securing and compensating qualified counsel for indigents.”

This issue and the concerns of the District have been brought to the attention of the legislators, the judges of the Fourteenth Judicial District Court, the District Attorney, and the Calcasieu Parish Police Jury. The District has proposed several options to increase its funding, including sharing proceeds of the existing parish law enforcement property tax millage or the proposed renewal of this tax so as to provide the District additional funding. A working group of attorneys, judges, the District Attorney's office, the Police Jury, the Clerk of Court, and general members of the local bar association convened to consider various funding options or alternatives to the current indigent defender system. The District and its management continues to actively participate in this effort.

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Notes to Basic Financial Statements

June 30, 2017

NOTE G – GOVERNMENT FUND REVENUES AND EXPENDITURES

For the year ended June 30, 2017, the major sources of governmental fund revenues and expenditures were as follows:

Revenues:

State Government	
Grants	\$ 1,253,453
Local Government	
Statutory fines, forfeitures, fees court costs and others	1,046,513
Charges for services	119,576
Investment earnings	1,004
Miscellaneous	604
Total Revenues	<u>\$ 2,421,150</u>

Expenditures:

Personnel Services and Benefits	
Salaries	\$ 1,217,064
Insurance	147,797
Payroll taxes	93,444
Retirement contributions	22,898
Other	19,500
	<u>1,500,703</u>
Professional Development	
Dues, licenses, and registrations	7,080
Travel	2,339
	<u>9,419</u>
Operating Costs	
Library and research	22,768
Contract services – attorney/legal	442,912
Contract services – other	13,600
Lease – office	-
Travel – transportation	6,180
Insurance	22,199
Supplies	36,819
Repairs and maintenance	9,107
Utilities and telephone	7,445
Other	5,261
	<u>566,291</u>
Capital outlay	2,464
Total Expenditures	<u>\$ 2,078,877</u>

REQUIRED SUPPLEMENTAL INFORMATION

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

	BUDGET		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	Original	Final		
<b>REVENUES</b>				
Court costs on fines and forfeitures	\$ 934,079	\$ 1,156,194	\$ 1,046,513	\$ (109,681)
Intergovernmental	859,908	957,955	1,253,453	295,498
Fees from indigents	90,750	114,005	119,576	5,571
Interest	400	943	1,004	61
Other income	-	2,347	604	(1,743)
<b>TOTAL REVENUES</b>	<b>1,885,137</b>	<b>2,231,444</b>	<b>2,421,150</b>	<b>189,706</b>
<b>EXPENDITURES</b>				
General Government				
Salaries and related benefits	1,615,405	1,485,868	1,500,703	(14,835)
Professional services	588,400	477,902	452,412	25,490
Litigation support	40,900	5,000	4,100	900
Library	25,000	22,800	22,768	32
Materials and supplies	35,000	30,890	36,819	(5,929)
Travel	13,600	8,000	6,181	1,819
Rent	3,130	133	-	133
Telephone	24,553	-	7,445	(7,445)
Other operating expenditures	41,750	53,442	45,985	7,457
Capital Outlay	35,000	1,188	2,464	(1,276)
<b>TOTAL EXPENDITURES</b>	<b>2,422,738</b>	<b>2,085,223</b>	<b>2,078,877</b>	<b>6,346</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(537,601)</b>	<b>146,221</b>	<b>342,273</b>	<b>196,052</b>
<b>FUND BALANCE - BEGINNING</b>	<b>631,857</b>	<b>631,857</b>	<b>631,857</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 94,256</b>	<b>\$ 778,078</b>	<b>\$ 974,130</b>	<b>\$ 196,052</b>

OTHER INFORMATION

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Schedule of Compensation, Benefits and Other Payments  
To Chief Executive Officer

Year Ended June 30, 2017

Chief Executive Officer: Harry Fontenot, District Defender

<u>Purpose</u>	<u>Amount</u>
Salary	\$105,000
Benefits-health insurance	6,202
Benefits-malpractice insurance	600
Benefits-retirement	3,150
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	937
Conference travel	-
Continuing professional education fees	-
Housing	714
Unvouchered expenses	-
Special meals	-
State bar dues	680



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.

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

November 16, 2017

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities of The Fourteenth Judicial District Indigent Defender Fund, a component unit of the Louisiana Public Defender Board, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise The Fourteenth Judicial District Indigent Defender Board's basic financial statements and have issued our report thereon dated November 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fourteenth Judicial District Indigent Defender Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fourteenth Judicial District Indigent Defender Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of the Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Schedule of Findings and Responses

Year Ended June 30, 2017

1. Summary of Auditors' Results:

Type of auditors' opinion issued: unqualified, going concern

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Control deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

2. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

Finding 2017-001:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response/Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review of bank reconciliations on a monthly basis.

Continued

THE FOURTEENTH JUDICIAL DISTRICT INDIGENT DEFENDER FUND

Schedule of Findings and Responses - Continued

Year Ended June 30, 2017

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Audit Findings

Finding 2016-001: Inadequate segregation of duties.

Corrective Actions Taken – None, a repeat finding in 2017.



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November 16, 2017

The Fourteenth Judicial District Indigent Defender Fund  
Lake Charles, Louisiana

We have performed the procedures included enumerated below, which were agreed to by the Fourteenth Judicial District Indigent Defender Fund, a component unit of the Louisiana Public Defender Board, and the Louisiana Legislative Auditor (LLA) on control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUP's) for the fiscal year July 1, 2016 through June 30, 2017. The District's management is responsible for those C/C areas identified in the SAUP's.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.  
***The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.***
  - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
***The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.***
  - c) *Disbursements*, including processing, reviewing, and approving.  
***The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.***
  - d) *Receipts*, including receiving, recording, and preparing deposits.  
***The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.***

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The District does not have a complete written policies and procedures manual. A written policies and procedures manual will be adopted in the next year.*

*Board (or Finance Committee, if applicable)*

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*The District does not have a board or finance committee.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*The District does not have minutes nor monthly budget-to-actual comparisons.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*The District does not have a board or finance committee.*

#### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*The listing was provided by management.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*For each bank account selected, the accounts were reconciled.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*The Chief Financial Officer, a member of management, prepared each bank reconciliation. There is no evidence that another member of management has reviewed each bank reconciliation.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*As of June 30, 2017, there appears to be no outstanding checks for more than 6 months.*

### **Collections**

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*The listing was provided by management.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*For the one and only location, three employees may collect payments and payments are immediately provided to the Chief Financial Officer. All employees are covered by a \$150,000 dishonesty bond. The Chief Financial Officer performs all functions: collections, deposits, records the transaction, and reconciles the bank accounts. There are no compensating controls performed.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*The Chief Financial Officer performs all functions of collections, deposits, recording and reconciliations. There is no formal process of reconciling collections to ledgers by an independent individual.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*All deposits were made within one day of collections.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions were noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*The District does not have a complete written policies and procedures manual.*

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*The listing was provided by management.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

**Randomly selected 25 disbursements and obtained supporting documentation for each transaction.**

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*Not applicable, District does not use purchase order system.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*Not applicable, District does not use purchase order system.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*All 25 disbursement invoices were approved by check signatures; however, approval documentation was not reflected on the invoices.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The Chief Financial Officer has the authority to sign checks, perform accounts payable payment processing, and add vendors to the District's system.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*The Chief Financial Officer has signatory authority, makes final authorization for disbursements, can initiate purchases and records purchases.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*The District's checks are printed on blank check stock. The Chief Financial Officer maintains unused checks locked in his office desk but also has signatory authority and access to print checks.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*The District does not use signature stamps. Checks are maintained under the control of the Chief Financial Officer until mailed.*

#### Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*The listing was provided by management.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

*On the month tested, there is no written documentation that the statement was reviewed and approved by someone other than the authorized card holder.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*No finance chargers and/or late fees were assessed on the selected statements.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*Each transaction was supported by an original itemized receipt.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*Documentation of business/public purpose was provided.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*The District does not have a complete written policies and procedures manual.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*No exceptions were noted.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

### Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*The listing was provided by management.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The District does not have a written travel and expense reimbursement policy. However, for actual reimbursements included in testing, none exceeded the GSA rates.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*For the expense reimbursements tested, all were reimbursed in accordance with established rates.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*Itemized receipts were provided for all expenses tested that identified what was purchased.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*Each expense was supported by documentation of business purpose.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*Not applicable.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*The District's documentation of business/public purpose for tested expenses appeared to comply with the requirements of Article 7, Section 14 of the Louisiana Constitution.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Each expense tested was approved by someone other than the person receiving the reimbursement.*

### **Contracts**

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- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*The listing was provided by management.*

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*The five highest paid vendors have formal/written contracts with amounts to be paid. These were all contracts with attorneys to provide services.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*The contracts/vendors were not subject to the public bid law.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*Solicited quotes were not obtained.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*None of the contracts were amended.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*Payments complied with the terms and conditions of the contract.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*The District does not have a board or finance committee.*

#### ***Payroll and Personnel***

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*The listing was provided by management.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*All selected employees were paid in strict accordance with the approved pay rate structure.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*There were no changes to pay rates/salaries during this period*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*All employees documented their attendance and leave.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Proper approvals were documented.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*The District maintained written leave records reflecting the hours earned, the hours used, and the balance available.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*The listing was provided by management. The termination payments were in agreement with vacation accrual and timesheets.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*Documentation reflected that payroll tax return/reports were timely filed and all payroll taxes and retirement contributions were timely paid and submitted for the fiscal year.*

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*Of the selected employees, only three completed ethics training.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management was not notified of any alleged or actual ethics violations during the fiscal year.*

***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*No debt was issued during the fiscal year.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*The District had no outstanding debt during the fiscal year.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*The District did not have tax millages related to debt service payments.*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management informed us that the District did not have any misappropriation of public funds or assets during the fiscal year.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The District has posted on its premises, the notice required by R.S. 24:523.1.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUP's. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUP's, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Gragsen, Casiday & Guillory*