

PUBLIC DEFENDER'S OFFICE

NINTH JUDICIAL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**



**Rozier Harrington
& McKay** | CERTIFIED PUBLIC
ACCOUNTANTS |

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**Rozier Harrington
& McKay** | CERTIFIED PUBLIC
ACCOUNTANTS |

February 2, 2017

INDEPENDENT AUDITOR'S REPORT

To the District Defender
Ninth Judicial District
State of Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the major fund of the Public Defender's Office for the Ninth Judicial District, a component unit of the Louisiana Public Defender Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Office'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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 and the major fund of the Public Defender's Office, as of June 30, 2016, 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.

***Public Defender's Office
Ninth Judicial District
February 2, 2017
Page 2***

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the information listed below to supplement the basic financial statements.

- Management's discussion and analysis
- Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)
- Schedule of Net Pension Liability Data – Cost Sharing Retirement Systems
- Schedule of Employer Contributions – Cost Sharing Retirement Systems

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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Defender's Office basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is other supplemental information presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Office's internal control over financial reporting and compliance.



Rozier, Harrington & McKay
Certified Public Accountants

PUBLIC DEFENDER'S OFFICE

NINTH JUDICIAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

This section of annual financial report presents our discussion and analysis of the Office's financial performance during the fiscal year ended June 30, 2016, along with certain comparative information for the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Office's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Office as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Office's assets and all of the Office's liabilities. All of the Office's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by grants, fines and various fees.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Office's most significant activities and are not intended to provide information for the Office as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Office's funds are Governmental Funds. These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund use a modified accrual basis of accounting that provides a short-term view of the Office's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

FINANCIAL ANALYSIS OF THE OFFICE AS A WHOLE

A comparative analysis of the government-wide Statement of Net Position is presented as follows:

PUBLIC DEFENDER'S OFFICE
NINTH JUDICIAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

| | For the Year Ended | |
|---------------------------------|--------------------|-------------------|
| | June 30, | |
| | 2016 | 2015 |
| <u>Assets:</u> | | |
| Cash | \$ 200,661 | \$ 199,696 |
| Receivables and Prepaids | 47,580 | 54,328 |
| Depreciable capital assets, net | 3,543 | 5,843 |
| Total Assets | 251,784 | 259,867 |
| | | |
| Deferred Outflows | 174,087 | 59,085 |
| <u>Liabilities:</u> | | |
| Accounts Payable | 6,999 | 6,500 |
| Compensated Absences | 4,448 | 22,025 |
| Net Pension Liability | 140,131 | 16,085 |
| Total Liabilities | 151,578 | 44,610 |
| | | |
| Deferred Inflows | 22,271 | 7,150 |
| <u>Net Position:</u> | | |
| Unrestricted | 248,479 | 261,349 |
| Invested in Capital Assets | 3,543 | 5,843 |
| Total Net Position | \$ 252,022 | \$ 267,192 |

As the presentation appearing above demonstrates, with the exception of \$3,543 invested in capital assets, the Office's net position are unrestricted and may be used to meet the Office's ongoing obligations.

A comparative analysis of the government-wide Statement of Activities is presented as follows:

| | For the Year Ended | |
|---------------------------------|--------------------|----------------|
| | June 30, | |
| | 2016 | 2015 |
| <u>Revenues:</u> | | |
| Program Revenue: | | |
| State Grants | \$ 344,273 | \$ 248,641 |
| Local Funds | 574,885 | 643,191 |
| Charges for Service | 45,981 | 80,438 |
| General Revenue: | | |
| Other | 383 | 83 |
| Total Revenue | 965,522 | 972,353 |
| <u>Program Expenses:</u> | | |
| General Government - Judicial | 980,692 | 1,058,221 |
| | | |
| Change in Net Position | (15,170) | (85,868) |
| Net Position Beginning | 267,192 | 353,060 |
| | | |
| Net Position Ending | \$ 252,022 | \$ 267,192 |

PUBLIC DEFENDER'S OFFICE
NINTH JUDICIAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

As the accompanying presentation demonstrates, the Public Defender's Office's net position has decreased due to using a portion of reserves to offset a decline in grant funding.

FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS

For the year ended June 30, 2016, differences between the government-wide presentation and the fund financial statements were limited to reporting equipment and related depreciation and amounts related to pension funding in the government-wide presentation.

BUDGET HIGHLIGHTS

State law requires the general fund to have a budget. For the year ended June 30, 2016, it was necessary to amend the original budget to address a decline in funds available from grants.

CAPITAL ASSET ADMINISTRATION

For the year ended June 30, 2016, capital asset activity was limited to depreciation of existing assets.

DEBT ADMINISTRATION

For the year ended June 30, 2016, there was no debt activity and no debts are outstanding at year end.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

At the present time, no known issues are expected to have a significant impact on future operations.

PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT

Statement of Net Positon
June 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 200,661 |
| Receivables | 41,618 |
| Prepaid Insurance | 5,962 |
| Depreciable Assets | <u>3,543</u> |
| Total assets | <u>251,784</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Pension Funding Deferrals | <u>174,087</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | 3,258 |
| Other Liabilities | 3,741 |
| Long-term Liabilities | |
| Compensated Absences | 4,448 |
| Net Pension Liability | <u>140,131</u> |
| Total liabilities | <u>151,578</u> |
| <u>DEFERRD INFLOWS OF RESOURCES</u> | |
| Pension Funding Deferrals | <u>22,271</u> |
| <u>NET POSITION</u> | |
| Unrestricted | 248,479 |
| Invested in Capital Assets | <u>3,543</u> |
| Total net position | <u>\$ 252,022</u> |

The accompanying notes are an integral part of the financial statements.

***PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT***

***Statement of Activities
Year Ended June 30, 2016***

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Expenses: | |
| General Government - Judicial | |
| Payroll & Related Benefits | \$ 338,493 |
| Contract Attorneys | 524,887 |
| Insurance | 23,321 |
| Rent | 16,300 |
| Legal & Professional | 15,172 |
| Office Expense | 30,681 |
| Utilities & Telephone | 14,856 |
| Other | 14,682 |
| Depreciation | 2,300 |
| Total Expenses | <u>980,692</u> |
| Program Revenues: | |
| Charges for Services | 45,981 |
| Operating Grants and Contributions | |
| State | 344,273 |
| Local | <u>574,885</u> |
| Total Program Revenues | <u>965,139</u> |
| Net Income (Expenses) - Governmental Activities | <u>(15,553)</u> |
| General Revenues: | |
| Other | <u>383</u> |
| Total General Revenues | <u>383</u> |
| Change in Net Position | (15,170) |
| Net Position - Beginning | |
| As Previously Reported | 292,950 |
| Cumulative Effect of Prior Period Adjustment | <u>(25,758)</u> |
| As Restated | <u>267,192</u> |
| Net Position - Ending | <u>\$ 252,022</u> |

The accompanying notes are an integral part of the financial statements.

***PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT***

Balance Sheet

Governmental Funds

June 30, 2016

| <u>Assets</u> | <u>General</u> |
|---|-----------------------|
| Cash | \$ 200,661 |
| Receivables | 41,618 |
| Total Assets | \$ 242,279 |
| <u>Liabilities and Fund Balance</u> | |
| <u>Liabilities</u> | |
| Accounts Payable | \$ 3,258 |
| Other Liabilities | 3,741 |
| Total Liabilities | 6,999 |
| <u>Fund Balance</u> | |
| Unassigned | 235,280 |
| Total Fund Balances | 235,280 |
| Total Liabilities and Fund Balance | \$ 242,279 |

| | |
|---|-------------------|
| Total Fund Balances - Governmental Funds | \$ 235,280 |
| Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet | 7,237 |
| Amounts reported for governmental activities in the Statement of Net Position are different because insurance used in governmental activities are not financial resources and therefore are not reported in the funds. | 5,962 |
| Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 3,543 |
| Net Position of Governmental Activities | \$ 252,022 |

The accompanying notes are an integral part of the financial statements.

***PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT***

***Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016***

| | <u>General</u> |
|--|--------------------------|
| Revenues: | |
| Intergovernmental | |
| State Funds | \$ 344,273 |
| Local Funds | 574,885 |
| Indigent Fees | 45,981 |
| Other | <u>383</u> |
| Total revenues | <u>965,522</u> |
| Expenditures: | |
| General Government - Judicial | |
| Payroll & Related Benefits | 331,905 |
| Contract Attorneys | 524,887 |
| Insurance | 23,321 |
| Rent | 16,300 |
| Legal & Professional | 15,172 |
| Office Expense | 30,681 |
| Utilities & Telephone | 14,856 |
| Other | <u>14,682</u> |
| Total expenditures | <u>971,804</u> |
| Excess (deficiency) of revenues over expenditures | (6,282) |
| Fund balance - beginning of year | <u>241,562</u> |
| Fund balance - end of year | <u>\$ 235,280</u> |

| | |
|--|---------------------------|
| Net change in fund balances of Governmental Funds | \$ (6,282) |
| Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital expenditures in the current period. | (2,300) |
| Long-term liabilities reported in the statement of activities includes pension obligations incurred in connection with participation in multi employer cost sharing pension plans. Changes in the pension obligation affect the statement of activities | (24,165) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds until payment is made | <u>17,577</u> |
| Change in net position of governmental activities | <u>\$ (15,170)</u> |

The accompanying notes are an integral part of the financial statements.

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ninth Judicial District Public Defender's Office was established under the laws of the State of Louisiana in order to provide legal representation for indigent individuals involved in criminal proceedings. The Office receives appropriations from the State of Louisiana as well as fees and other costs, which are assessed from persons participating in the judicial process. The Office may also receive fees from indigent defendants, whenever the District Judge determines that fees of this nature are appropriate. The Office is administered by the District Public Defender who is appointed by the Louisiana Public Defender Board.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the reporting entity 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 reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the criteria presented above, the Public Defender's Office is a component of the Louisiana Public Defender Board, which is a component of the State of Louisiana. The accompanying financial statements present information only on the accounts maintained by the Public Defender of the Ninth Judicial District. The financial statements do not present information of the State of Louisiana or the Louisiana Public Defender Board, the general government service provided by those governmental units, or other governmental units that comprise the financial reporting entity.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize all of the Office's operations as governmental activities.

The government-wide and fund financial statements present the Office's financial position and results of operations from differing perspectives which are described as follows:

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Office as a whole.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service. Program revenues include charges for services, State grants, and local funds.

Fund Accounting

The accounts are organized on the basis of funds, which consist of a single general fund. The General Fund is the general operating fund of the Office. It is used to account for all financial resources.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

| <u>Financial Statement Presentation</u> | <u>Basis of Accounting</u> | <u>Measurement Focus</u> |
|--|-----------------------------------|---------------------------------|
| Government-Wide Financial Statements | Accrual Basis | Economic Resources |
| Fund Financial Statements | Modified Accrual Basis | Current Financial Resources |

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as expenditures. Inventories of supplies are considered immaterial and are not recorded.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets

Budgets are adopted prior to the beginning of each year using the generally accepted basis of accounting. Furthermore, budgets are amended in the manner prescribed by state law.

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

Cash

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk is managed by requiring fiscal agents to provide security for any deposits that exceed FDIC limits.

Compensated Absences

Full time employees earn vacation at rates that vary depending on length of service. Unused vacation that employees are allowed to carryforward is reported as long-term liabilities. Amounts are reported as expenditures when the unused vacation is actually liquidated.

Capital Assets

Capital assets include significant acquisitions of equipment that are expected to remain in service for a period of years. Capital assets are reported in the government-wide financial statements but are excluded from the fund financial statements. Instead, the funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are reported at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method and estimated useful lives that are based on the expected durability of the particular asset. A useful life of three to five years is typically used.

NOTE 2 - CASH

Deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2016, the Public Defender's Office has \$248,271 in deposits (collected bank balance). These deposits are secured by FDIC coverage in the amount of \$248,271

NOTE 3 - RECEIVABLES

At June 30, 2016, consisted entirely of amounts due from governmental sources, which are described as follows:

| | | |
|---------------------------------|----|--------|
| Rapides Parish Sheriff's Office | \$ | 18,745 |
| City of Alexandria | | 16,825 |
| City of Pineville | | 6,048 |
| <hr/> | | |
| Total | \$ | 41,618 |

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

NOTE 4 – CAPITAL ASSETS

A summary of the Office's capital assets is provided as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|-------------------|---------------|-------------------|
| <u>Capital Assets Being Depreciated:</u> | | | | |
| Furniture and Equipment | \$ 37,622 | \$ ---- | \$ 24,404 | \$ 13,218 |
| Less Accumulated Depreciation | 31,779 | 1,610 | 23,714 | 9,675 |
| <u>Total Net of Depreciation</u> | <u>\$ 5,843</u> | <u>\$ (1,610)</u> | <u>\$ 690</u> | <u>\$ 3,543</u> |

NOTE 5 - RISK MANAGEMENT

The Office is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Office insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 6 – PENSION PLAN

Parochial Employees Retirement System

Substantially all of the Public Defender's Office's employees are members of a statewide retirement system. This system is cost-sharing, multiple employer defined benefit pension plan administered by a board of trustees. A summary of amounts reported in connection with participation in this plan is summarized as follows:

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------|--------------------------|--------------------------------------|-------------------------------------|
| Parochial Employees Retirement System | \$ 140,131 | \$ 174,087 | \$ 22,271 |

Further information regarding the retirement system is furnished as follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the Public Defender's Office are members of Plan A. All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one per cent of the final-average salary, plus \$24 for each year of supplemental plan only service earned prior to January 1, 1980, plus three per cent of final average salary for each year of service credited after the revision date. Final-average salary is the employees'

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and who do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Funding Policy - Employees are required to contribute 9.5% of their salaries to the System. The employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The current rate is 13.00% of annual covered payroll. The contribution requirements of the plan members and the Public Defender's Office are established and may be amended by state statute. In addition, contributions to the System also include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. Contributions to the retirement system for the year ended June 30, 2016 and each of the two preceding years have been consistent with the required amounts.

Financial Summary - The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details the System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained at persla.org.

Plan A's net pension liability was determined at December 31, 2015 (measurement date and actuarial valuation date) and details are provided as follows:

| | |
|---|--------------------|
| Total Pension Liability | \$ 3,387,821,896 |
| Plan Fiduciary Net Pension | 3,124,593,132 |
| Net Pension Liability | <u>263,228,764</u> |
| Public Defender's Office's Proportionate Share (Percentage) | 0.053236 |
| Public Defender's Office's Proportionate Share (Amount) | <u>\$ 140,131</u> |

The net pension liability presented above was not affected by any special funding situations. Changes in the Public Defender's Office proportionate share of Plan A's net pension liability during the measurement period ending June 30, 2016 are provided as follows:

| | |
|---------------------------------|-------------------|
| Beginning Net Pension Liability | \$ 16,085 |
| Employer Contributions | (44,575) |
| Pension Expense | 57,262 |
| Deferred Outflows of Resources | 126,480 |
| Deferred Inflows of Resources | <u>(15,121)</u> |
| Ending Net Pension Liability | <u>\$ 140,131</u> |

There were no changes between June 30, 2016 and the Plan A's measurement date that are expected to have a significant effect on the Public Defender's Office's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total (Net) |
|--|--------------------------------------|-------------------------------------|-------------------|
| Differences Between Expected and Actual Experience | \$ ---- | \$ 22,271 | \$ (22,271) |
| Net Difference Between Projected and Actual | | | |
| Investment Earnings on Pension Plan Investments | 128,225 | ---- | 128,225 |
| Changes of Assumptions | 31,224 | ---- | 31,224 |
| Changes in Proportion | 1,316 | ---- | 1,316 |
| Employer Contributions Made After the Measurement Date | 13,322 | ---- | 13,322 |
| Total Deferrals | 174,087 | 22,271 | 151,816 |
| Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period | (13,322) | ---- | (13,322) |
| Deferrals Subject to Amortization | <u>\$ 160,765</u> | <u>\$ 22,271</u> | <u>\$ 138,494</u> |

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

| <u>For the Year Ending:</u> | |
|-----------------------------|-------------------|
| December 31, 2016 | \$ 36,748 |
| December 31, 2017 | 36,748 |
| December 31, 2018 | 38,609 |
| December 31, 2019 | 26,389 |
| December 31, 2020 | ---- |
| Total | <u>\$ 138,494</u> |

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

| | |
|----------------------------------|--|
| Valuation Date | December 31, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.00%, net of investment expense, including inflation |
| Projected Salary Increases | 5.25% (2.75% Merit, 2.50% Inflation) |
| Expected Remaining Service Lives | 4 Years |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. |
| Mortality | RP-2000 Employee Sex Distinct Table was selected for employees. |

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan A members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan A members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.55% for the year ended December 31, 2015.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-term Expected Portfolio Real Rate of Return</u> |
|------------------------------------|--------------------------------|---|
| Fixed Income | 34% | 1.06% |
| Equity | 51% | 3.56% |
| Alternatives | 12% | 0.74% |
| Real Assets | 3% | 0.19% |
| Total | 100% | 5.55% |
| Inflation | | 2.00% |
| Expected Arithmetic Nominal Return | | 7.55% |

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

| | 1% Decrease 6.00% Discount Rate | Current Discount Rate 7.00% | 1% Increase 8.00% Discount |
|-----------------------|------------------------------------|--------------------------------|-------------------------------|
| Net Pension Liability | \$ 351,083 | \$ 140,131 | \$ (38,146) |

NOTE 7 – GOVERNMENTAL FUND REVENUES AND EXPENDITURES

For the year ended June 30, 2016, the major sources of governmental fund revenues and expenditures were as follows:

Revenues:

| | |
|---|-------------------|
| State Government | |
| Appropriations – Special | \$ 344,273 |
| Local Governments | |
| Statutory Fines, Forfeitures, Fees and Court Cost | 574,885 |
| Charges for Services | 45,981 |
| Investment Earnings | 383 |
| Total Revenues | <u>\$ 965,522</u> |

Expenditures

| | |
|--------------------------------------|----------------|
| Personnel Services and Benefits | |
| Salaries | 292,097 |
| Payroll Taxes | 6,726 |
| Retirement | 33,082 |
| Total | <u>331,905</u> |
| Professional Development | |
| Dues, licenses, and registrations | 5,316 |
| Travel | 4,816 |
| Total | <u>10,132</u> |
| Operating Cost | |
| Contract Services – Attorney / Legal | 528,969 |
| Contract Services – Other | 15,172 |
| Rent-Office | 16,300 |
| Insurance | 23,321 |
| Office Expense/Supplies | 30,681 |
| Utilities and Telephone | 14,856 |
| Other | 468 |
| Total | <u>629,767</u> |
| Total Expenditures | <u>971,804</u> |

PUBLIC DEFENDER'S OFFICE

Ninth Judicial District

Notes to Financial Statements

For the Period Ended June 30, 2016

NOTE 8 – PRIOR PERIOD ADJUSTMENT

Deferred outflows reported in the June 30, 2015, Statement of Net Position were overstated due to the inclusion of amounts that were no eligible. The effect of the adjustment on the change in net position is as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Change in Net Position, prior to effect of Prior period adjustment | \$ (60,110) |
| Effect of prior period adjustment | <u>(25,758)</u> |
| Change in Net Position | <u>\$ (85,868)</u> |

***PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT***

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended December 31, 2016

| | Budget Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| <u>Revenues:</u> | | | | |
| State Funds | 350,273 | 347,773 | 344,273 | (3,500) |
| Local Government | 621,500 | 578,069 | 574,885 | (3,184) |
| Indigent Fees | 70,000 | 44,553 | 45,981 | 1,428 |
| Other | - | 431 | 383 | (48) |
| Total revenues | 1,041,773 | 970,826 | 965,522 | (5,304) |
| <u>Expenditures:</u> | | | | |
| General Government - Judicial | | | | |
| Payroll & Related Benefits | 404,200 | 321,724 | 331,905 | (10,181) |
| Contract Attorneys | 545,700 | 522,409 | 524,887 | (2,478) |
| Insurance | 22,500 | 23,321 | 23,321 | - |
| Rent | 21,000 | 16,300 | 16,300 | - |
| Legal & Professional | 22,500 | 22,500 | 15,172 | 7,328 |
| Office Expense | 19,900 | 26,910 | 30,681 | (3,771) |
| Utilities & Telephone | 14,000 | 14,070 | 14,856 | (786) |
| Other | 30,250 | 14,476 | 14,682 | (206) |
| Capital Outlay | 35,000 | - | - | - |
| Total expenditures | 1,115,050 | 961,710 | 971,804 | (10,094) |
| Excess (deficiency) of revenues | | | | |
| Net Change in Fund Balances | (73,277) | 9,116 | (6,282) | (15,398) |
| Fund balance - beginning of year | 168,430 | 199,696 | 241,562 | (41,866) |
| Fund balance - end of year | \$ 95,153 | \$ 208,812 | \$ 235,280 | \$ (41,866) |

PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT
Schedule of Net Pension Liability Data
Cost Sharing Retirement Systems

| Retirement System / Measurement Date | Share of Collective | | Covered Payroll | Net Pension Liability as a Percentage of Covered Payroll | Pension Plans Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|-----------------------|---------|--------------------|---|--|
| | Net Pension Liability | | | | |
| | Percent | Amount | | | |
| Parochial Employees Retirement System | | | | | |
| December 31, 2014 | 0.059% | 16,085 | 319,189 | 5.0% | 99.1% |
| December 31, 2015 | 0.053% | 140,131 | 303,744 | 46.1% | 92.2% |

Notes to Schedule:

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT
Schedule of Employer Contributions
Cost Sharing Retirement Systems

| Retirement System / Fiscal Year Ending | Statutorily Required Employer Contributions | Contributions Recognized By the Pension Plan | Difference Between Required and Recognized Contributions | Covered Payroll | Contributions Recognized as a Percentage of Covered Payroll |
|---|--|---|--|-----------------|--|
| Parochial Employees Retirement System | | | | | |
| December 31, 2014 | 50,558 | 52,972 | (2,414) | 319,189 | 16.60% |
| December 31, 2015 | 32,564 | 44,575 | (12,011) | 303,744 | 14.68% |

Notes to Schedule:

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

PUBLIC DEFENDERS OFFICE
NINTH JUDICIAL DISTRICT

***Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2016***

| <u>Purpose</u> | Agency Head | | |
|----------------|-----------------------|---------------------|-----------------------|
| | <u>Glenn Cortello</u> | <u>Tony Tillman</u> | <u>Deirdre Fuller</u> |
| Salary | \$ 37,535 | \$ 16,500 | \$ 11,250 |
| Retirement | 5,443 | - | 1,463 |
| Reimbursements | - | 2,353 | 787 |

Note 1:

The Public Defenders Office had three individuals as agency head during the current year. Above, all of the Public Defenders are listed with their salary and related benefits for the period of time they were the Chief Public Defender.



**Rozier Harrington
& McKay** | CERTIFIED PUBLIC
ACCOUNTANTS

February 2, 2017

INDEPENDENT AUDITOR'S 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*

To the District Defender
State of Louisiana
Ninth Judicial District

We have audited, in accordance with the 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, and the major fund of the Public Defender's Office for the Ninth Judicial District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Office's basic financial statements, and have issued our report thereon dated February 2, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Office'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 Office's internal control. Accordingly, we do not express an opinion on the effectiveness of Office'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 weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Office's financial statements are free from 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 questioned costs as items **2016-1, 2016-2, and 2016-3**.

PUBLIC DEFENDER'S OFFICE RESPONSE TO FINDINGS

The Public Defender's Office response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Office'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 THIS REPORT

The 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.


ROZIER, HARRINGTON & McKAY
Certified Public Accountants

PUBLIC DEFENDER'S OFFICE

NINTH JUDICIAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COST

For the Year Ended June 30, 2016

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the basic financial statements of the Public Defender's Office as of June 30, 2016 and for the year then ended expressed an unmodified opinion.
- The audit did not disclose any audit findings which are considered to be significant control deficiencies or material weaknesses.
- The results of the audit disclosed three instances of noncompliance (2016-1, 2016-2, 2016-3) required to be reported in the Schedule of Findings and Questioned Cost.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2016-1: Noncompliance with Financial Reporting Policies:

The Public Defender's Office was notified by their previous auditor in late November 2016 that he would be unable to perform the audit for the current year. Even though the Office was able to obtain the services of another auditor, the late termination of the previous auditor did not allow for the audit to be completed timely. This resulted in the Office being unable to submit their annual audit as required by State Law.

2016-2: Noncompliance with Personnel Policy:

During the current year, three employees terminated the Public Defender's Office and received compensation for at least 30 days of accrued vacation which may not be in compliance with the personnel policy. The personnel policy states that employees with 8 to 15 years of service may accrue up to 15 days of vacation annually. Furthermore, the policy states that upon voluntary termination an employee shall be compensated for accumulated vacation not to exceed the number of days vacation for years of service. In addition, the policy is silent for years in excess of 15.

In order to eliminate such issues in the future, we suggest that the District Defender review and update the personnel policy as well as update and maintain accurate records related to accrued leave time.

2016-3: Duties as Public Defender:

Based on information obtained from the Louisiana Public Defender Board, the previous public defender may have operated a private practice out of the Ninth Judicial District's Public Defender's Office. The duties of the public defender's office require that the public defender work 40 hours a week. However, an investigation conducted by the Louisiana Public Defender Board demonstrated that there may have been work performed on private cases. This may mean that the previous public defender was compensated with public funds while performing duties as a private practice. This matter has been turned over to the Louisiana Legislative Auditor and the Ninth Judicial District Attorney. Furthermore, the previous public defender resigned November 30, 2015.

***PUBLIC DEFENDER'S OFFICE
NINTH JUDICIAL DISTRICT***

***MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016***

| | |
|--|---|
| <p>SECTION I Internal Control and Compliance Material To The Financial Statements</p> | |
| <p><u>2016-1: Noncompliance with Financial Reporting Policies:</u> The Public Defender's Office was notified by their previous auditor in late November 2016 that he would be unable to perform the audit for the current year. Even though the Office was able to obtain the services of another auditor, the late termination of the previous auditor did not allow for the audit to be completed timely. This resulted in the Office being unable to submit their annual audit as required by State Law.</p> <p><u>2016-2: Noncompliance with Personnel Policy:</u> As discussed in more detail in the Schedule of Findings and Questioned Costs, three employees were compensated for accrued vacation upon termination for more days than are allowed for in the personnel policy.</p> <p><u>2016-3: Duties as Public Defender:</u> As discussed in more detail in the Schedule of Findings and Questioned Costs, the previous public defender may have been operating a private practice out of the Public Defender's Office.</p> | <p><u>Response:</u> Due to us having to hire a new auditor late in the year we were unable to complete the current year audit timely. We will file the subsequent year audit timely.</p> <p><u>Response:</u> We have turned this matter over to the local district attorney.</p> <p><u>Response:</u> The Louisiana Public Defender Board has sent a letter to the District Attorney and the Louisiana Legislative Auditor regarding this matter.</p> |
| <p>SECTION II Internal Control and Compliance Material to Federal Awards</p> | |
| <p>No findings of this nature were reported</p> | <p>No findings of this nature were reported</p> |
| <p>SECTION III Management Letter</p> | |
| <p>No management letter was issued with this report.</p> | <p>No management letter was issued with this report.</p> |

PUBLIC DEFENDER'S OFFICE
NINTH JUDICIAL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2016

| | |
|---|---|
| SECTION I Internal Control and Compliance Material To The Financial Statements | |
| No findings of this nature were reported | No findings of this nature were reported |
| SECTION II Internal Control and Compliance Material to Federal Awards | |
| No findings of this nature were reported | No findings of this nature were reported |
| SECTION III Management Letter | |
| No management letter was issued with this report. | No management letter was issued with this report. |