

1632
31

TWENTY-SIXTH JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
BOSSIER AND WEBSTER PARISHES, LOUISIANA
JUNE 30, 2014

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

Release Date MAR 18 2015

TWENTY-SIXTH JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
BOSSIER AND WEBSTER PARISHES, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	i-iii
<u>AUDITED FINANCIAL STATEMENTS</u>	
Independent Auditor's Report	1-2
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Notes to the Financial Statements	5-14
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule (Unaudited)	15
Notes to Budgetary Comparison Schedule	16
<u>OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	17-18
Schedule of Findings and Questioned Costs	19-20
Summary Schedule of Prior Audit Findings	21
Management's Corrective Action Plan for Current Year Findings	22

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the Twenty-Sixth Judicial District Public Defender's Office, Bossier and Webster Parishes, provides an overview of the Office's financial activities for the year ended June 30, 2014. Please read it in conjunction with the Office's financial statements, which begin on Page 3.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Public Defenders' Office as a whole and present a longer-term view of the Office's finances. For governmental activities, the fund statements tell how these services were financed in the short-term as well as what remains for future spending.

Reporting the Public Defenders' Office as a Whole

Our analysis of the Office as a whole begins on Page 3. One of the most important questions asked about the Office's finances is, "Is the Public Defenders' Office as a whole better off or worse off as a result of the period's activities?" The Statement of Net Position and the Statement of Activities report information about the Office as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Office's *net position* and changes in them. You can think of the Office's net position - the difference between assets and liabilities - as one way to measure the Office's financial health, or *financial position*. Over time, *increases or decreases* in the Office's net position are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Office's Most Significant Funds

The fund financial statements also begin on Page 3 and provide detailed information about the most significant funds - not necessarily the Office as a whole. Some funds may be required to be established by State law and by bond covenants.

Governmental funds (General Fund) - All of the Office's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* in a reconciliation included on the financial statements and in Note 1.

THE PUBLIC DEFENDERS' OFFICE AS A WHOLE

The figures reflecting net position can be used to indicate the Office's financial position at that time or over a period of time. At the close of the most recent fiscal period, the Office's net position totaled \$490,227. Of this figure, \$394,555 (80.5%) is its investment in capital assets such as buildings, equipment, furniture, library, computers, etc. The remaining portion of net position, \$95,672 (19.5%), is unrestricted assets that are available to provide services to the citizens the Office were established to serve in Bossier and Webster Parish. The Office's total net position changed from June 30, 2013, decreasing by \$410,252, or 45.6%. Net positions are shown below.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	95,672	489,625
Capital assets	<u>394,555</u>	<u>410,854</u>
Total assets	490,227	900,479
Current and other liabilities	-----	-
Total liabilities	-----	-
Net position		
Net investment in capital assets	394,555	410,854
Unrestricted	<u>95,672</u>	<u>489,625</u>
Total net position	<u>490,227</u>	<u>900,479</u>

THE OFFICE'S FUNDS

The governmental activities of the Office include all activities of the Office as required by law and are funded by court costs, fees paid by defendants, and grants from the state LPDB. Major expenditures of the Office, as well as revenues, for the years ended June 30, 2014 and 2013 are shown below.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Expenditures		
Salaries and related benefits	1,274,347	1,222,808
Operating services	568,857	549,546
Travel and professional development	16,883	20,321
Depreciation	<u>26,567</u>	<u>30,036</u>
Total expenses	1,886,654	1,822,711
Revenues		
Court costs (fines and forfeitures)	702,091	835,094
Court ordered fees	60,514	63,349
State grants	713,712	969,546
Other income	<u>85</u>	<u>238</u>
Total revenues	<u>1,476,402</u>	<u>1,868,227</u>
Change in net position	(410,252)	45,516
Net position beginning of year	<u>900,479</u>	<u>854,963</u>
Net position, end of year	<u>490,227</u>	<u>900,479</u>

Total revenues decreased \$391,825, from total revenues in 2013 of \$1,868,227 to total revenues of \$1,476,402 in 2014. The decrease in revenue was attributable to the decrease in state funds and court costs. The Office depends on a combination of funds from the state (through the Louisiana Public Defender Board) and locally generated revenue (primarily through special costs assessed, collected and remitted by the courts). For yearend 2014 the Office received only 71% of the revenues it anticipated receiving for that year. As a result, the Office had to use approximately \$316,000 of reserve (LAMP account) leaving a reserve amount of just over \$5,000.

In addition, total expenses increased by \$63,943 from total expenses in 2013 of \$1,822,711 to total expenses of \$1,886,654 in 2014. This increase was attributable to an increase in operating services of \$19,311, and an increase in salaries and related benefits of \$51,539.

CAPITAL ASSET ADMINISTRATION

The Office's capital asset investment assists in carrying out the mandated functions of the Office. This investment, net of allowance for depreciation, as of June 30, 2014 was \$394,555. This investment includes buildings, equipment, and fixtures.

CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Office's finances and to show the Office's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Twenty-Sixth Judicial District Public Defenders' Office at 211 Burt Boulevard, Benton, Louisiana, 71006.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET SUITE 1525
SHREVEPORT LOUISIANA 71101
318 429 1525 PHONE 318 429 2070 FAX

December 22, 2014

The Chief Defender
Twenty-Sixth Judicial District Public Defenders' Office
Bossier Parish, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Twenty-Sixth Judicial District Public Defenders' Office as of and for the year ended June 30, 2014, 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 the 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 of material misstatement

An audit involves performing procedures to obtain 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 evaluation of 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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT MONROE DECHRI

hmv@hmvcpa.com | MAIL
www.hmvcpa.com | WEB ADDRESS

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 Twenty-Sixth Judicial District Public Defenders' Office as of June 30, 2014, and the respective changes in financial position thereof 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 1 through 111 and 14 and 15 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the Office's internal control over financial reporting and 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 the 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 Office's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS OFFICE

GOVERNMENT WIDE STATEMENT OF NET POSITION

JUNE 30, 2014

<u>ASSETS</u>	<u>Governmental Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash	31,464	-	31,464
Investments	5,226	-	5,226
Receivables	58,982	-	58,982
Capital assets, net of allowance for depreciation	<u>-</u>	<u>394,555</u>	<u>394,555</u>
Total assets	<u>95,672</u>	<u>394,555</u>	<u>490,227</u>
 <u>FUND EQUITY</u>			
<u>Fund equity</u>			
Unassigned	95,672	(95,672)	-
Net position			
Net investment in capital assets	-	394,555	394,555
Unrestricted	<u>-</u>	<u>95,672</u>	<u>95,672</u>
Total fund equity	<u>95,672</u>	<u>394,555</u>	<u>490,227</u>
Total liabilities and fund equity	<u>95,672</u>	<u>394,555</u>	<u>490,227</u>

The accompanying notes are an integral part of the financial statements

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Fund Statement of Revenues and Expenditures</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses</u>			
<u>Judiciary</u>			
Personal services	990,244	-	990,244
Related benefits	284,103	-	284,103
Travel and professional development	16,883	-	16,883
Operating services	579,125	10,268	568,857
Depreciation	-	(26,567)	26,567
Total expenditures/expenses	<u>1,870,355</u>	<u>(16,299)</u>	<u>1,886,654</u>
 <u>Program revenues</u>			
Charge for services	60,514	-	60,514
Other charges	<u>702,091</u>	<u>-</u>	<u>702,091</u>
Net program revenues	762,605	-	762,605
 <u>General revenues</u>			
State grants	713,712	-	713,712
Investment earnings	75	-	75
Other income	<u>10</u>	<u>-</u>	<u>10</u>
Total general revenues	<u>713,797</u>	<u>-</u>	<u>713,797</u>
 <u>Excess of revenues (under) expenditures/ expenses</u>	(393,953)	(16,299)	-
 <u>Change in net position</u>	-	-	(410,252)
 <u>Fund equity/net position</u>			
Beginning of year	<u>489,625</u>	<u>410,854</u>	<u>900,479</u>
End of year	<u>95,672</u>	<u>394,555</u>	<u>490,227</u>

The accompanying notes are an integral part of the financial statements

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Introduction

The Twenty-Sixth Judicial District Public Defenders' Office was established in compliance with Louisiana Revised Statutes 15 141-185 9 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 parishes of Bossier and Webster, Louisiana.

As of August 15, 2007, the indigent defender boards in each judicial district were dissolved, and new law created within each judicial district an indigent defender fund which is now administered by the district public defender. New law provides that any surplus monies in the judicial district indigent defender fund on August 15, 2007, will be retained in that judicial district to be used solely and exclusively for purposes of delivering indigent defender services in that judicial district. In addition, effective August 15, 2007, the Indigent Defender Board will now be referred to as the Public Defender Office.

The District Board of the Twenty-Sixth Judicial District was approved by the judges of the District and was comprised of five members through August 15, 2007. The board members were not compensated for their services, however, they were eligible to obtain health insurance for which the Office paid the premium. After August 2007, all public defender offices in Louisiana are now offered oversight by a centralized Board located in Baton Rouge, Louisiana.

The Twenty-Sixth Judicial District Public Defenders' Office is domiciled in Bossier Parish, Benton, Louisiana. All records of proceedings and official actions (all paper, documents, and records) are kept in Benton, Louisiana.

The Twenty-Sixth Judicial District Public Defenders' Office employs 25 people. There are 22 employees at the Bossier Parish office and 3 employees at the Webster Parish office. All employees are salaried.

1 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying basic financial statements of the Twenty-Sixth Judicial District Public Defenders' Office 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 No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14, the Twenty-Sixth Judicial District Public Defenders' Office is part of the operations of the Louisiana Public Defender Board. The Louisiana Public Defender Board was established as a state agency to provide supervision, administration, and delivery of a statewide public defender system that is independent of local politics. The Public Defenders' Office is financially independent and operates autonomously from the State of Louisiana and independently from the Louisiana Public Defender Board. Therefore, the Office reports as an independent reporting entity and the financial statements include only the transactions of the Twenty-Sixth District Public Defenders' Office.

1 **Summary of Significant Accounting Policies** (Continued)

Fund Accounting

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

Governmental funds account for all of the Public Defenders' Office's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Office. The following are the Office's governmental funds:

General Fund The General Fund is the primary operating fund of the Public Defenders' Office and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to board policy.

Measurement Focus and Basis of Accounting

Fund Financial Statements

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Public Defenders' Office operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Public Defenders' Office considers all revenues available if they are collected within 30 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues Court costs on fines and forfeitures imposed by the district and city courts are recorded in the year they are collected by the tax collectors and city courts within the judicial district. Interest earned in investments is recorded when the investments have matured and the income is available. Grants are recorded as revenue during the period in which the related expenditures are incurred. Substantially all other revenues are recorded when received.

Expenditures Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

1 Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Office

The content and certain titles of the GWFS were changed upon the adoption by the Office in 2013 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Office had no deferred outflows or inflows of resources at June 30, 2014.

Accordingly, the statement of net position presents information on all of the Office's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. There are no indirect expenses allocated to this function. Depreciation expense is included in the direct expense of the function. Program revenues, if any, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other items, such as interest income, not properly included among program revenues are reported instead as general revenues.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues included in the column labeled Statement of Activities are derived directly from board users as a fee for services. Program revenues reduce the cost of the function to be financed from the Office's general revenues.

The reconciliation of the items reflected in the fund column to the Statement of Net Position and Statement of Activities are as follows:

Fund Balance, Governmental Fund	95,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>394,555</u>
Net Position of Governmental Activities	<u>490,227</u>

1 Summary of Significant Accounting Policies (Continued)

Excess of revenues (under) expenditures, Governmental Fund (393,953)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period (16,299)

Change in Net Position of Governmental Activities (410,252)

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less from the date of acquisition. Under state law, the Public Defenders' Office may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments are limited by Louisiana Revised Statute 33:2955 and the Office's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments, however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Investments held at June 30, 2014 included \$5,226 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB codification 150-165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150-164 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-RS 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-RS 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment Grade (A-1/P-1) commercial paper of domestic United State corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

1 Summary of Significant Accounting Policies (Continued)

The dollar weighted average portfolio maturity of LAMP assets shall not generally exceed 60 days and consists of no securities with an excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets and their estimated fair market value at the date of donation. The Public Defenders' Office maintains a threshold level of \$1,000 or more for capitalizing capital assets. For capital asset additions over \$10,000, State Board approval is required.

Capital assets are recorded in the Statement of Net Position and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Furniture and fixtures	5-15 years
Computer equipment	5 years

Compensated Absences

The Public Defenders' Office does not provide for the accumulation and vesting of paid leave beyond the year in which it is earned.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets net of related debt consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2 Budgets

The Public Defenders' Office followed the following budget practices as of June 30, 2014

- (a) The Chief Defender prepares a proposed budget and submits same to the Louisiana Public Defenders' Board no later than fifteen days prior to the beginning of each fiscal year. The Louisiana Public Defenders' Board must approve proposed budget before adopted by the Defenders' Office
- (b) The public is notified that the proposed budget is available for public inspection. At the same time a public hearing is called
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted
- (d) Prior to August 15, 2007, budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated required the approval of the Board. Effective August 15, 2007 with the enactment of new law, these approvals are now submitted to Louisiana Public Defenders' Board
- (e) Budgetary appropriations lapse at the end of each fiscal year

The original budget was amended once for the year ended June 30, 2014

3 Cash and Cash Equivalents

At June 30, 2014, the Public Defenders' Office had cash and cash equivalents (book balances) as follows

Interest-bearing demand deposits	31,284
Petty cash	<u>180</u>
	<u>31,464</u>

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that, in the event of a bank failure, the Office's deposits might not be recovered. 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. 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, 2014, the Public Defenders' Office had approximately \$31,464 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and/or a pledge of qualified U.S. Government (or its agencies) Securities.

4 Investments

Louisiana Revised Statutes and the Public Defenders' Office's investment policy govern the procedures to be followed and the types of allowable securities to be purchased by the board. Under state law, the Public Defenders' Office is authorized to invest in United States bonds, treasury notes, or certificates. The Office has no specific policy defining levels of risk and amounts of investments they invest at any given time. Investments are categorized into these three categories of credit risk:

4 Investments (Continued)

- 1 Insured or registered, or securities held by the Public Defenders' Office or its agent in the Office's name
- 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Office's name
- 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Office's name

Investments not subject to categorization include investments in an external investment pool At June 30, 2014, the fair value/carrying amount was \$5,226

5 Receivables

Receivables of \$58,982 at June 30, 2014 relate to Program Revenues, Other Charges in the general fund

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided If amounts become uncollectible, they are charged to operations when that determination is made

6 Capital Assets

Capital assets and depreciation activity as of and for the twelve months ended June 30, 2014, are as follows

	<u>Beginning Balance 6/30/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance 6/30/14</u>
Governmental Activities				
Buildings and improvements	545,679	-	-	545,679
Furniture and equipment	<u>71,517</u>	<u>10,268</u>	<u>-</u>	<u>81,785</u>
Total	617,854	10,268	-	627,464
Less accumulated depreciation				
Buildings and improvements	139,089	15,293	-	154,382
Furniture and equipment	<u>67,253</u>	<u>11,274</u>	<u>-</u>	<u>78,527</u>
Total	<u>206,342</u>	<u>26,567</u>	<u>-</u>	<u>232,909</u>
Capital assets, net	<u>410,854</u>	<u>(16,299)</u>	<u>-</u>	<u>394,555</u>

7 Pension Plan

Substantially all of the Public Defenders' Office's employees participate in the federal social security program The Public Defenders' Office is required to remit an amount to the Social Security Administration equal to the employee's contribution The Public Defenders' Office does not guarantee any of the benefits granted by the Social Security Administration

The Twenty Sixth Judicial District Public Defenders' Office established a SIMPLE Individual Retirement Account Plan for its employees effective May 1, 1998 Under the plan, an employee must be eligible to participate in any calendar year if he or she received at least \$5,000 of compensation from the employer during each of the two preceding calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year Elective

7 **Pension Plan (Continued)**

contributions are limited to \$14,200 for 2014, and may be matched by the employer. Under the arrangement, each eligible employee has the right to elect, during the 60-day period preceding the beginning of any calendar year, to participate in the arrangement for that calendar year or to modify the amount of his or her elective contributions for that year. An employee may terminate participation in the arrangement at any time during a calendar year. For the year ended June 30, 2014, the Public Defenders' Office satisfied its matching contribution requirement by electing to make matching contributions of 3% of compensation for each employee who was eligible to participate. The employee's right to both elective contributions and matching contributions is fully vested at all times. The plan does not contain any employer-imposed prohibition on withdrawals from the account. The amount of employer contributions for the period was \$12,870.

8 **Leases**

The Public Defenders' Office leases office equipment at both the Bossier and Webster locations. The Office incurred \$5,353 in rental expense for the twelve months ended June 30, 2014. The future minimum rental payments for the next five years are as follows:

2015	4,733
2016	3,816
2017	954
2018	-
2019	-
	<u>9,503</u>

9 **Governmental Fund Revenues and Expenditures**

Revenues

State Government

Appropriations-general	-	
Appropriations-special	-	
Revenue sharing	-	
Grants	713,712	
On-behalf payments	-	
Other	-	
Total	<u>-</u>	713,712

Local Government

Appropriations-general	-	
Appropriations-special	-	
Grants	-	
Statutory fines, forfeitures, fees, court costs, and other	702,091	
Taxes-mileages, sales special, and other	-	
Criminal court fund	-	
On-behalf payments	-	
Other	-	
Total	<u>-</u>	702,091

Federal Government

Grants-direct	-	
Grants-indirect	-	
Total	<u>-</u>	-

9 Governmental Fund Revenues and Expenditures (Continued)

Other Grants and Contributions		
Non-profit organizations	-	
Private organizations	-	
Corporate	-	
Other	-	
Total	<u>-</u>	-
Charges for Services		60,514
Investment earnings		75
Miscellaneous		10
Total Revenues		<u>1,476,402</u>
Expenditures		
Personnel Services and Benefits		
Salaries	990,244	
On-behalf payments-salaries	-	
Retirement contributions	12,870	
On be-half payments-retirement	-	
Insurance	194,039	
On be-half payments-insurance	-	
Payroll taxes	77,194	
Other	-	
Total	<u>-</u>	1 274 347
Professional Development		
Dues, licenses, and registrations	3,605	
Travel	8 286	
Other	4,992	
Total	<u>-</u>	16,883
Operating Costs		
Library and research	24,873	
Contract services attorney/legal	407 178	
Contract services-other	22,718	
Court reporter fees	10,522	
Lease-office	5,353	
Lease-autos and other	-	
Travel transportation	-	
Travel-other	-	
Insurance	25,262	
Supplies	9 222	
Repairs and maintenance	10,005	
Utilities and telephone	19,794	
Other	33,930	
Total	<u>-</u>	568,857
Debt Service		-
Capital Outlay		<u>10,268</u>
Total Expenditures		<u>1,870,355</u>

10 **Subsequent Events**

We evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available to be issued for potential recognition or disclosure in the financial statements. We evaluated such events through December 22, 2014 and noted no subsequent events.

11 **Uncertainties**

Twenty-Sixth Judicial District Public Defenders' Office has experienced a loss in fund equity and net position during the current fiscal year. As indicated in the accompany financial statements, the Public Defenders' Office net position decreased from \$900,479 at June 30, 2013 to \$490,227 at June 30, 2014. In addition, the Public Defenders' Office experienced a decrease in funding from the Louisiana Public Defender Board (LPDB) for the fiscal year 2014. As identified in the performance audit on LPDB, issued February 12, 2014 by the Louisiana Legislative Auditor, "[d]uring fiscal year 2012, 69% of the district offices operated at a deficit and had to use their fund balances to cover expenses. Because state law requires LPDB to provide adequate funding for public defense services, LPDB will need to financially assist district offices that deplete their fund balances." As a result, the Public Defenders' Office's ability to continue operations depends upon additional funding from the LPDB. Management is actively pursuing other revenue sources and considering cost cutting measures such as staff reduction until additional funding is secured.

REQUIRED SUPPLEMENTARY INFORMATION

TWENTY-SIXTH JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014
(Unaudited)

	<u>Original Annual Budget</u>	<u>Amended/ Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
<u>Revenues</u>				
Fines and forfeitures	830,726	690,327	702,091	11,764
Fees from indigents	64,500	67,651	60,514	(7,137)
State grants	969,546	713,712	713,712	-
Interest income	248	63	85	22
Total revenues	<u>1,865,020</u>	<u>1,471,753</u>	<u>1,476,402</u>	<u>4,649</u>
<u>Expenditures</u>				
Salaries	1,023,070	722,370	990,244	(267,874)
Employer contributions to Simple IRA	15,000	12,832	12,870	(38)
Payroll taxes	81,038	77,166	77,194	(28)
Contract services and appointed counsel	408,310	426,596	429,896	(3,300)
Office supplies and expense	10,000	8,686	9,222	(536)
Law library	25,000	24,873	24,873	-
Telephone and utilities	20,000	23,377	19,794	3,583
Lease - other	7,300	5,353	5,043	310
Repairs and maintenance	20,000	12,255	10,315	1,940
Travel and professional development	23,500	16,393	16,883	(490)
Court reports	10,000	11,761	10,522	1,239
Insurance	193,870	218,282	223,629	(5,347)
Capital outlay	-	4,936	10,268	(5,332)
Other	27,932	34,314	29,602	4,712
Total expenditures	<u>1,865,020</u>	<u>1,599,194</u>	<u>1,870,355</u>	<u>(271,161)</u>
<u>Excess revenues (under) expenditures</u>	-	(127,441)	(393,953)	(266,512)
<u>Fund balance at July 1, 2013</u>	<u>489,625</u>	<u>489,625</u>	<u>489,625</u>	-
<u>Fund balance at June 30, 2014</u>	<u>489,625</u>	<u>362,184</u>	<u>95,672</u>	<u>(266,512)</u>

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2014

(Unaudited)

- 1 Budget
Refer to Note 2 of the financial statements for details regarding the budget process

- 2 Budget Variances
Actual total revenues exceeded budgeted revenues by less than 1% and budgeted other expenses exceeded actual other expenses by less than 17%. The Louisiana Revised Statute 39 1311 requires an amendment to the Public Defenders' Office's budget when receipts plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by 5% or more. Refer to the schedule of findings and questioned costs number 2014-02 for details regarding budget compliance

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET SUITE 1525

SHREVEPORT LOUISIANA 71101

318 429 1525 PHONE 318 429 2070 FAX

December 22, 2014

The Chief Defender
Twenty-Sixth Judicial District Public Defenders' Office
Bossier Parish Louisiana

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*

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 Twenty-Sixth Judicial District Public Defenders' Office (Office) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Office's basic financial statements and have issued our report thereon dated December 22, 2014

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 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 Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-01 to be material weaknesses.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT MONROE DELHI

hmw@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office'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 questioned costs as item 2014-02.

Twenty-Sixth Judicial District Public Defenders' Office's Response to Findings

Twenty-Sixth Judicial District Public Defenders' Office response to the findings identified in our audit is described in the accompanying management's corrective action plan for current year findings. Twenty-Sixth Judicial District Public Defenders' Office 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

TWENTY-SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

A Summary of Audit Results

- 1 The auditor's report expresses an unmodified opinion on the basic financial statements of the Twenty-Sixth Judicial District Public Defenders' Office
- 2 One significant deficiency is reported it is considered to be a material weakness
- 3 One instance of noncompliance material to the basic financial statements of the Twenty-Sixth Judicial District Public Defender was disclosed during the audit
- 4 The Twenty-Sixth Judicial District Public Defenders' Office was not subject to a Federal Single Audit for the year ended June 30, 2014

B Findings – Financial Statement Audit

2014-01 Internal Controls with Regard to Financial Reporting

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or impractical.

Management feels the resolution to this finding would be both impractical and cost prohibitive.

2014-02 Budget Compliance

Condition and Criteria In comparison of budgeted and actual expenditures, the Public Defenders' Office expenditures are under budgeted by \$271,161 or by 17%. Louisiana Revised Statute 39:1311 requires an amendment to the Public Defenders' Office's budget when receipts plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by 5% or more. As a result, the Public Defenders' Office's actual expenditures failed to meet the budgeted expenditures threshold of 5% by 12% (17% - 5%).

Effect The entity was not in compliance with La R S 39 311 for the period ending June 30, 2014

Management's Response Management has agreed with this finding and plans to adopt a more realistic budget at the beginning of the year, and amend the budget as necessary throughout the year to ensure compliance with La R S 39 311

C Findings and Questioned Costs – Major Federal Award Programs

Not applicable

TWENTY SIXTH JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Prior Findings – Financial Statement Audit

2012-01 Internal Controls with Regard to Financial Reporting

Internal controls over the preparation of year end adjusting entries and annual financial statements, complete with notes in accordance with generally accepted accounting principles have not been established, nor has management demonstrated ability to perform these functions in house

This material weakness and control deficiency was repeated for the year ended June 30, 2014

TWENTY SIXTH JUDICIAL DISTRICT

PUBLIC DEFENDERS OFFICE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

2014-01 Internal Controls with Regard to Financial Reporting

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or impractical.

Management feels the resolution to this finding would be both impractical and cost prohibitive.

2014-02 Budget Compliance

Condition and Criteria In comparison of budgeted and actual expenditures, the Public Defenders' Office expenditures are under budgeted by \$271,161 or by 17%. Louisiana Revised Statute 39:1311 requires an amendment to the Public Defenders' Office's budget when receipts plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by 5% or more. As a result, the Public Defenders' Office's actual expenditures failed to meet the budgeted expenditures threshold of 5% by 12% (17% - 5%).

Effect The entity was not in compliance with La R S 39:311 for the period ending June 30, 2014.

Management's Response Management has agreed with this finding and plans to adopt a more realistic budget at the beginning of the year and amend the budget as necessary throughout the year to ensure compliance with La R S 39:311.