

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana
FINANCIAL STATEMENTS
June 30, 2017

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Independent Auditor's Report

Steven Thomas, Chief Defender
Eleventh and Forty-Second Judicial Districts Indigent Defender Fund
Post Office Box 1004
Mansfield, Louisiana 71052

I have audited the accompanying financial statements of the governmental activities of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund (the "Fund"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 8 and the General Fund Budgetary Comparison Schedule presented on pages 24 through 25 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund basic financial statements. The Statement of Activities by District on page 27 and the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer on page 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Activities by District and the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Statement of Activities by District and the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2017 on my consideration of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting.



Certified Public Accountant

Shreveport, Louisiana
December 22, 2017

Required Supplementary Information (Part I)

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND DeSoto and Sabine Parishes, Louisiana

Management's Discussion and Analysis
For the Year Ending June 30, 2017

This section of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund's (Indigent Defender Fund) annual financial report presents our discussion and analysis of the Indigent Defender Fund's financial performance during the year ending June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Indigent Defender Fund's basic financial statements and supplementary information in assessing the efficiency and effectiveness of our stewardship of public resources.

As noted in previous years' Management and Discussion, pursuant to Act No. 416 of the 2007 Regular Session of the Louisiana Legislature, the former 11th Judicial District, which was comprised of Sabine and DeSoto Parishes, was split along parish boundaries as of January 1, 2009. Sabine Parish became the "new" 11th Judicial District; and DeSoto Parish became the newly created 42nd Judicial District. One chief defender operates the two districts DeSoto under a cooperative endeavor agreement as a single entity.

FINANCIAL HIGHLIGHTS

The Eleventh and Forty-second Judicial Districts Indigent Defender Fund experienced an increase in its net position of \$351,305 (226%) during the year ended June 30, 2017. At June 30, 2017, the assets of the Fund exceeded its liabilities by \$506,661.

The Fund's total general and program revenues were \$1,176,241 during the year ended June 30, 2017, compared to \$889,086 during year ended June 30, 2016.

The Fund's governmental fund reported a total ending fund balance this year of \$481,855. This compares to the prior year ending fund balance of \$151,577, showing an increase of \$330,278 for the current year.

OVERVIEW OF FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the basic financial statements which include 1) governmental fund financial statements, 2) government-wide financial statements and 3) notes to the financial statements. The two types of financial statements present the Fund's financial position and results of operations from differing perspectives. A reconciliation is provided to facilitate the comparison between the governmental fund statements and the government-wide statements. The components of the financial statements are described below:

Fund Financial Statements

Fund financial statements provide detailed information regarding the Indigent Defender Fund's most significant activities and are not intended to provide information for the Indigent Defender Fund as a whole. Funds are accounting devices that are used to account for specific sources of revenues. All of the Indigent Defender Fund's funds are limited to its *general fund*, which is classified as a Governmental Fund. The *general fund* uses a modified accrual basis of accounting that focuses on near-term inflows, outflows, and balances of spendable resources. Assets reported by the *general fund* 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. Unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

Government-Wide Financial Statements

The *government-wide financial statements* report information about the Indigent Defender Fund 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. The *statement of net position* presents information on all the Indigent Defender Fund'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 Indigent Defender Fund is improving or deteriorating. The *statement of activities* presents information showing how the net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Indigent Defender Fund adopts an annual budget for the general fund. A budgetary comparison statement is provided to demonstrate budgetary compliance.

Other Supplementary Information

A statement of activities by district is included for additional analysis purposes only and is not required for fair presentation in accordance with generally accepted accounting principles. The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented to fulfill the requirements of Louisiana Revised Statute 24:513(A)(3).

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the Statement of Net Position is below:

	June 30, 2017	June 30, 2016
Assets		
Cash	\$ 491,472	\$ 153,072
Accounts Receivables	51,844	59,797
Prepaid Expenses	23,865	1,629
Capital Assets, Net of Depreciation	941	2,150
Total Assets	<u>568,122</u>	<u>216,648</u>
Liabilities		
Accounts Payable	61,461	61,292
Total Liabilities	<u>61,461</u>	<u>61,292</u>
Net Position		
Unrestricted	505,720	153,206
Net Investment in Capital Assets	941	2,150
Total Net Position	<u>\$ 506,661</u>	<u>\$ 155,356</u>

Net position may serve over time as a useful indicator of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund's financial position. The Indigent Defender Fund's total net position changed from a year ago, increasing from \$155,356 to \$506,661. The largest portion of the Indigent Defender Fund's net position, \$505,720 (99.8%) as of June 30, 2017, is unrestricted and may be used to meet the ongoing obligations to the citizens of DeSoto and Sabine Parishes.

The Indigent Defender Fund continues to maintain a high level of liquidity with \$491,472 (97.2%) of the Indigent Defender Fund's unrestricted net position invested in demand deposits as of June 30, 2017. Accounts receivable decreased 13.3% from \$59,797 to \$51,844 and accounts payable increased 0.28% from \$61,292 to \$61,461. At June 30, 2017, \$941 (0.19%) of the Indigent Defender Fund's net position reflects capital assets with a historical cost of \$28,277 and accumulated depreciation of \$27,336.

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

	Year Ended <u>June 30, 2017</u>	Year Ended <u>June 30, 2016</u>
Revenues		
Judiciary Program Revenue		
Charges for services	\$ 802,799	\$ 684,085
Operating grants & contributions	372,995	204,833
General Revenue		
Interest revenue	<u>447</u>	<u>168</u>
Total Revenue	<u>1,176,241</u>	<u>889,086</u>
Program Expenses		
Judiciary	<u>824,936</u>	<u>785,202</u>
Increase (Decrease) in Net Assets	351,305	103,884
Net Position, Beginning	<u>155,356</u>	<u>51,472</u>
Net Position Ending	<u>\$ 506,661</u>	<u>\$ 155,356</u>

As the accompanying presentation demonstrates, the Indigent Defender Fund has increased its reserves by \$351,305 at June 30, 2017. Approximately 68.25% (\$802,799) of the Fund's total revenues were derived through charges for services (court, bond and other related fees) compared to 76.94% (\$684,085) for the year ended June 30, 2016.

The Indigent Defender Fund received \$372,995 (31.71%) and \$204,833 (23.04%) of its total revenues from Louisiana state appropriations during the years ended June 30, 2017 and June 30, 2016, respectively.

FINANCIAL ANALYSIS OF THE FUND'S FUND

For the year ended June 30, 2017, differences between the government-wide presentation and the fund financial statements were due to prepaid insurance and depreciation changes associated with capital assets.

BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Indigent Defender Fund complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-RS 39:1301 et seq.). The Indigent Defender Fund's budget was amended once during the year ended June 30, 2017. The actual revenues were \$32,606 above the budgeted amounts and actual expenditures were \$24,599 less than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The Fund did not make any capital asset purchases during the year ended June 30, 2017.

DEBT ADMINISTRATION

For the year ended June 30, 2017, there was no debt activity and no debts are outstanding at year-end.

ECONOMIC FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

For the fiscal year ending June 30, 2018, the following factors were considered when the budget was prepared:

- General and program revenues will remain consistent with the prior year.
- Other expenditures are expected to remain steady with the prior year.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the Eleventh and Forty-second Judicial District Indigent Defender Fund, DeSoto and Sabine Parishes, Louisiana, and seeks to demonstrate the Indigent Defender Fund's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Steven Thomas, Chief Defender, Eleventh and Forty-second Judicial District Indigent Defender Fund, P. O. Box 1004, Mansfield, Louisiana, 71052.

Basic Financial Statements

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET POSITION

June 30, 2017

	Governmental Fund Statements		Government-Wide Statements
	General Fund Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 491,472	\$ -	\$ 491,472
Accounts receivable	51,844	-	51,844
Prepaid expenses	-	23,865	23,865
Capital assets, net of accumulated depreciation	-	941	941
Total Assets	\$ 543,316	24,806	568,122
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 58,677	-	58,677
Accrued payroll	436	-	436
Payroll tax liabilities	2,348	-	2,348
Total Liabilities	61,461	-	61,461
FUND BALANCE / NET POSITION			
Fund Balance			
Unassigned	481,855	(481,855)	-
Total Fund Balance	481,855	(481,855)	-
Total Liabilities and Fund Balance	\$ 543,316	(481,855)	
Net Position			
Net investment in capital assets		941	941
Unrestricted		505,720	505,720
Total Net Position		\$ 506,661	\$ 506,661

**Reconciliation of Fund Balance on the Balance Sheet for Governmental Funds to
Net Position of Governmental Activities on the Statement of Net Position**

Total Fund Balance for the Governmental Fund		\$	481,855
Total Net Position reported for Governmental Activities in the Statement of Net Position is different because:			
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current year.			23,865
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:			
Office equipment	\$ 28,277		
Less accumulated depreciation	(27,336)		941
Total Net Position of Governmental Activities		\$	506,661

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

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

**GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE /
STATEMENT OF ACTIVITIES**

For the Year ended June 30, 2017

	Governmental Fund Statements		Government- Wide Statements
	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Judiciary:			
Personnel services & benefits	\$ 79,966	\$ -	\$ 79,966
Professional development	7,594	-	7,594
Operating costs	758,403	(22,236)	736,167
Capital outlays	-	-	-
Depreciation	-	1,209	1,209
Total Expenditures/Judiciary Program Expenses	<u>845,963</u>	<u>(21,027)</u>	<u>824,936</u>
JUDICIARY PROGRAM REVENUES			
Operating grants and contributions:			
State government appropriations- general	372,995	-	372,995
Charges for services:			
Local government fines, fees & court costs	802,799	-	802,799
Total Program Revenues	<u>1,175,794</u>	<u>-</u>	<u>1,175,794</u>
Net Program Expense	329,831	21,027	350,858
GENERAL REVENUES			
Investment earnings	447	-	447
Total General Revenues	<u>447</u>	<u>-</u>	<u>447</u>
Excess (Deficiency) of Revenues Over Expenditures/ Change in Net Position	330,278	21,027	351,305
Fund Balance/ Net Position:			
Beginning of the year	151,577		155,356
End of the year	\$ <u>481,855</u>		\$ <u>506,661</u>

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

Total Net Change in Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 330,278
Governmental funds report expenses that involve payments with current financial resources, such as insurance, in the year in which it is paid. In the Statement of Activities, payments that are attributable in current periods are recognized. This amount is the increase in prepaid insurance and prepaid rent.	22,236
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceed depreciation (\$1,209) in the current period.	(1,209)
Total Changes in Net Position per Statement of Activities	\$ <u>351,305</u>

Notes to Financial Statements

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

INTRODUCTION

The Eleventh and Forty-second Judicial Districts Indigent Defender Fund (Indigent Defender Fund) was established to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The district fund is regulated by the Louisiana Public Defender Board established by Louisiana Revised Statute 15:141-184 to provide effective legal representation to criminal defendants who are unable to afford an attorney, consistent with the right to counsel in criminal courts, mindful of the need for law and order and an appreciation of victim's rights. The Indigent Defender Fund is administered by district public defenders who are contracted with the Louisiana Public Defender Board to provide for the delivery and management of public defender services within the judicial district. Offices for the Eleventh and Forty-second Indigent Defender Fund are maintained in Mansfield, Louisiana.

Pursuant to Act No. 416 of the 2007 Regular Session of the Louisiana Legislature, the former 11th Judicial District, which was comprised of Sabine and DeSoto Parishes, was split along parish boundaries as of January 1, 2009. Sabine Parish became the "new" Eleventh Judicial District; and DeSoto Parish became the newly created Forty-second Judicial District. Whereas Act No. 416 made provisions for judges, law clerks, court reporters, and the district attorney and assistants, it made no provisions for public defender services of the districts after the split. One Chief Defender operates the two districts under a cooperative endeavor agreement as one entity. The agreement expires June 30, 2017. The agreement was renewed to June 30, 2018. The Louisiana State Attorney General issued an opinion (Opinion 09-0212) on December 22, 2009. In the opinion of the Attorney General's office, the cooperative endeavor agreement between the Eleventh and Forty-second Judicial Districts relating to the Public Defender is permissible under Louisiana Constitution, Article VII, Section 14(A) and (C).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund have been prepared in conformity with governmental accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide.

The more significant accounting policies established in GAAP and used by the Eleventh and Forty-second Judicial Districts Indigent Defender Fund are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 14, the Eleventh and Forty-second Judicial Districts Indigent Defender Fund is a part of the operations of the district court system. However, the state statutes that create the indigent defender funds also gives the funds control over their operations including hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of monies. The Eleventh and Forty-second Judicial Districts Indigent Defender Fund is financially independent and operated autonomously from the State of Louisiana and independently from the district court system. Therefore, the Indigent Defender Fund reports as an independent reporting entity and the financial statements include only the transactions of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund.

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION – BASIC FINANCIAL STATEMENTS

The Indigent Defender Fund's basic financial statements include both government-wide (reporting the Fund as a whole) and fund financial statements (reporting the Fund's major fund).

Governmental Fund Statements

The accounts of the Indigent Defender Fund are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

A fund is considered major if it is the primary operating fund of the entity. The Indigent Defender Fund maintains only one governmental fund.

General Fund. The General Fund is the primary operating fund of the Indigent Defender Fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations, if appropriate.

The government-wide Statement of Activities reports both the gross and net cost of the Indigent Defender Fund's judicial function. This function is also supported by general government revenues (in this case interest revenue.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the judicial function. Operating grants include operating-specific and discretionary grants.

This government-wide focus is more on the sustainability of the Indigent Defender Fund as an entity and the change in the Indigent Defender Fund's net position resulting from the current year's activities.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues or expenditures, expenses, and transfers—and assets, deferred outflows of resources, liabilities, and deferred inflows of resources—are recognized in the accounts and reported in the financial statements.

**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING (continued)

Accrual Basis—Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities have been prepared using the economic resources measurement focus and the accrual basis of accounting. 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).

Modified Accrual Basis—Governmental Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. State government appropriations and revenue collected on the Fund's behalf by other local governments are recorded in the year the Fund is entitled to the funds. Fees collected by the Fund are recognized in the period in which they are paid. Interest income on demand deposits is recorded monthly when the interest is earned and credited to the Fund's account. Interest income on time deposits is accrued at year end. Salaries and related benefits are recorded when employee services are provided. Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased. Substantially all other expenditures are recognized when the related fund liability is incurred.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Interest-bearing deposits

Cash includes amounts in interest-bearing demand deposits and certificates of deposit. Under state law, the Fund may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Fund may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Accounts Receivable

Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is used.

Prepaid Expenses

Payments made to vendors for insurance and rent that will benefit periods beyond June 30, 2017 are recorded as prepaid expenses.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance that do not add to the value of that asset or materially extend the life of that asset are expensed as incurred.

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND EQUITY (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Lives</u>
Office Equipment	5 years

Equity Classifications

Net Position

The Fund classifies net position in the government-wide financial statements, as follows:

- Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
- Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Fund's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- Unrestricted net position – consists of all other net resources that do not meet the definition of the above two components and is available for general use by the Fund.

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at incurrence of the expense.

Fund Balances

In the governmental fund statements, fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used. In accordance with GASB 54, the Fund classifies fund balances in governmental funds as follows:

- Nonspendable--Amounts that are not in spendable form (such as prepaid expenses) or because they are legally or contractually required to be maintained intact.
- Restricted--Amounts constrained to specific purposes by their providers (such as grantors or higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed--Amounts constrained by the Fund itself. To be reported as committed, amounts cannot be used for any other purpose unless the Fund takes the action to remove or change the constraint.

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND EQUITY (continued)

- Assigned--Amounts the Fund intends to use for a specific purpose.
- Unassigned—All amounts not included in other spendable classifications.

The Fund would typically apply an expenditure toward restricted fund balance and then to the other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

E. COMPENSATED ABSENCES

The Indigent Defender Fund has the following policy relating to vacation and sick leave:

Employees of the Indigent Defender Fund, at the beginning of each calendar year, are allowed twenty days of non-cumulative paid time off, which encompasses both vacation and sick leave. There is no accumulation of vested benefits relating to any paid time off.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditures when leave is actually taken.

F. 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. CASH AND CASH EQUIVALENTS

At June 30, 2017, the Eleventh and Forty-second Judicial Districts Indigent Defender Fund has cash and cash equivalents (book balances) totaling \$491,472 as follows:

Demand deposits	\$ 491,272
Petty cash	200
Total	<u>\$ 491,472</u>

The cash and cash equivalents are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Indigent Defender Fund that the fiscal agent bank

**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

2. CASH AND CASH EQUIVALENTS (continued)

has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Indigent Defender Fund's name.

At June 30, 2017, the Indigent Defender Fund has \$492,932 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance. The remaining \$242,932 is pledged by marketable securities held by the custodial bank.

3. RECEIVABLES

The General Fund receivables of \$51,844 at June 30, 2017, are as follows:

Statutory fines, forfeitures, fees, court costs and other:	
Court costs	\$ 41,959
Bond fees and forfeitures	1,340
Other fees and costs	8,545
Total	<u>\$ 51,844</u>

4. PREPAID EXPENSES

Prepaid expenses of \$23,865 at June 30, 2017 consist of the following:

Prepaid insurance	\$ 5,165
Prepaid office rent	18,700
	<u>\$ 23,865</u>

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2017, is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Beginning Balance</u>
Office Equipment	\$ 28,277	\$ -	\$ -	\$ 28,277
Total	<u>28,277</u>	<u>-</u>	<u>-</u>	<u>28,277</u>
Less Accumulated Depreciation				
Office Equipment	26,127	1,209	-	27,336
Total	<u>26,127</u>	<u>1,209</u>	<u>-</u>	<u>27,336</u>
Capital Assets, Net	<u>\$ 2,150</u>	<u>\$ (1,209)</u>	<u>\$ -</u>	<u>\$ 941</u>

Depreciation expense of \$1,209 was charged to the judiciary function of the governmental activities.

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

6. LEASES

The Indigent Defender Fund has entered into a five-year agreement to lease office space that expires January 31, 2022. Future minimum rental commitments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>		
2018	\$	19,200
2019		19,200
2020		19,200
2021		19,200
2022		<u>11,200</u>
Total	\$	<u>88,000</u>

Rent expenditures were \$8,500 for the year ended June 30, 2017.

7. COOPERATIVE ENDEAVOR AGREEMENT

In addition to the cooperative endeavor agreement discussed in the introduction, the Forty-second Indigent Defender Fund has also entered into an agreement with the Thirty-ninth Judicial District Indigent Defender Fund on June, 30, 2017. It is agreed that the office manager of the Thirty-ninth Indigent Defender Fund shall be allowed use, for ten hours per week, a computer and other office equipment belonging to the Forty-second Judicial District Indigent Defender Fund.

8. COMMITMENTS AND CONTINGENCIES

The Eleventh and Forty-second Judicial Districts Indigent Defender Fund is not currently named as defendant in any current or pending litigation.

The Indigent Defender Fund participates in certain state-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017**

9. GOVERNMENTAL FUND REVENUES AND EXPENDITURES

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

REVENUES:

State Government

Appropriations - general	\$ 372,995	
Appropriations - special	-	
Revenue sharing	-	
Grants	-	
On-behalf payments	-	
Other	-	
Total	-	\$ 372,995

Local Government

Appropriations - general	-	
Appropriations - special	-	
Grants	-	
Statutory fines, forfeitures, fees, court costs, and other	802,599	
Taxes - millages, sales, special, and other	-	
Criminal court fund	-	
On-behalf payments	-	
Other	200	
Total	200	802,799

Federal Government

Grants - direct	-	
Grants - indirect (passed-through state)	-	
Total	-	-

Other Grants and Contributions

Non-profit organizations	-	
Private organizations	-	
Corporate	-	
Other	-	
Total	-	-

Charges for Services

-

Investment earnings

447

Miscellaneous

-

Total Revenues	\$ 1,176,241
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**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

9. GOVERNMENTAL FUND REVENUES AND EXPENDITURES (continued)

EXPENDITURES:

Personnel Services and Benefits

Salaries	\$	73,803	
On-behalf payments - salaries		-	
Retirement contributions		-	
On-behalf payments - retirement		-	
Insurance		-	
On-behalf payments - insurance		-	
Payroll taxes		6,163	
Other		-	
Total		-	\$ 79,966

Professional Development

Dues, licenses, and registrations		1,102	
Travel		6,492	
Other		-	
Total		-	7,594

Operating Costs

Library and research		747	
Contract services - attorney/legal		668,762	
Contract services - other		26,503	
Lease - office		27,200	
Lease - autos and other		-	
Travel - transportation		745	
Travel - other		-	
Insurance		9,640	
Supplies		9,022	
Repairs and maintenance		-	
Utilities and telephone		7,587	
Other		8,197	
Total		-	758,403

Debt Service

-

Capital outlay

-

Total Expenditures		-	\$ 845,963
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**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

10. SUBSEQUENT EVENTS

Management has performed an evaluation of the Indigent Defender Fund's activities through December 22, 2017 and has concluded that there are two significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued. One of the Indigent Defender Fund's main sources of revenue, approximately 59% for the year ended June 30, 2017, is derived from court fees primarily generated from the Local Agency Compensated Enforcement (LACE) Program executed by the DeSoto Parish Sheriff, Louisiana State Police, and the City of Mansfield in the Forty-second Judicial District. The DeSoto Parish Sheriff ceased participating in the LACE program in June, 2017. The Louisiana State Police announced on November 8, 2017 they were suspending their LACE program state-wide for an undetermined period. These events will decrease the local revenues of the Indigent Defender Fund.

Required Supplementary Information (Part II)

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
State government appropriations- general	\$ 375,635	\$ 375,635	\$ 372,995	\$ (2,640)
Local government fines, fees & court costs	584,000	767,600	802,799	35,199
Investment earnings	36	400	447	47
Total Revenues	<u>959,671</u>	<u>1,143,635</u>	<u>1,176,241</u>	<u>32,606</u>
Expenditures				
Judiciary:				
Contract services - attorney/ legal	693,762	671,762	668,762	3,000
Contract services - other	35,000	19,000	11,228	7,772
Support staff salaries	93,000	74,000	73,803	197
Payroll taxes	7,224	6,000	6,163	(163)
Professional development	3,750	2,950	1,848	1,102
Professional services - accounting/audit	20,000	20,000	15,275	4,725
Office expenses	19,040	56,500	54,461	2,039
Travel	2,000	8,000	7,237	763
Capital outlays	4,250	4,250	-	4,250
Other	8,500	8,100	7,186	914
Total Expenditures	<u>886,526</u>	<u>870,562</u>	<u>845,963</u>	<u>24,599</u>
Excess (Deficiency) of Revenues Over Expenditures	73,145	273,073	330,278	57,205
Fund Balance, beginning of the year	151,577	151,577	151,577	-
Fund Balance, end of the year	<u>\$ 224,722</u>	<u>\$ 424,650</u>	<u>\$ 481,855</u>	<u>\$ 57,205</u>

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

**ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana**

NOTES TO BUDGETARY COMPARISON SCHEDULE
As of and for the Year ended June 30, 2017

Budgetary Information

The District's Chief Public Defender directs the preparation of a proposed budget and submits it to the Louisiana Public Defender Board for approval by a specified date. The budget is then legally adopted by the Fund and amended during the year, as necessary. The budget is established and controlled by the Chief Defender at the objective level of expenditure. Amounts are available for expenditure only to the extent included within the budget. All appropriations lapse at year-end. The budget comparison schedule presents the original adopted budget and the final amended budget.

Formal budgetary integration is employed as a management control device during the year, and encumbrance accounting is not used by the Fund. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts. The Indigent Defender Fund amended the budget once during the year.

The Eleventh and Forty-second Judicial District Indigent Defender Fund's budget is prepared in accordance with accounting principles accepted in the United States of America. The Eleventh and Forty-second Judicial District Indigent Defender Fund's budget is adopted annually on the modified accrual basis of accounting.

The Louisiana Local Government Budget Act Section 1305(E) provides that "the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund is in compliance with the Louisiana Local Budget Act.

Other Supplemental Information

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

STATEMENT OF ACTIVITIES BY DISTRICT

For the Year ended June 30, 2017

	<u>Eleventh District</u>	<u>Forty-second District</u>	<u>Total</u>
Program Revenues			
Operating grants and contributions:			
State government appropriations- general	\$ 370,902	\$ 2,093	\$ 372,995
Charges for services:			
Local government fines, fees & court costs	57,363	745,436	802,799
Total Program Revenues	<u>428,265</u>	<u>747,529</u>	<u>1,175,794</u>
General Revenues			
Investment earnings	223	224	447
Total General Revenues	<u>223</u>	<u>224</u>	<u>447</u>
			-
TOTAL REVENUES	<u>428,488</u>	<u>747,753</u>	<u>1,176,241</u>
Expenditures/ Program Expenses			
Judiciary:			
Personnel services & benefits	39,983	39,983	79,966
Professional development	4,424	3,170	7,594
Operating costs	349,686	386,481	736,167
Depreciation	-	1,209	1,209
Total Expenditures/ Judiciary Program Expenses	<u>394,093</u>	<u>430,843</u>	<u>824,936</u>
Change in Net Position	\$ <u>34,395</u>	\$ <u>316,910</u>	\$ <u>351,305</u>

ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND
DeSoto and Sabine Parishes, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

For the year ended June 30, 2017

Steven Thomas, Chief Defender		
Purpose:		
Salary - contracted	\$	115,562
Benefits- Insurance		-
Benefits- retirement		-
Benefits- other		-
Car Allowance		-
Vehicle provided by government		-
Cell Phone		1,210
Per diem		-
Reimbursements		216
Registration fees		-
Meeting travel, meals and lodging		6,323
Continuing professional education fees		-
Professional dues		639
Unvouchered expenses		-
Special meals		-
Total	\$	<u>123,950</u>

The accompanying notes are an integral part of this statement.

Other Reports Required by *Governmental Auditing Standards*

**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***

Steven Thomas, Chief Defender
Eleventh and Forty-Second Judicial Districts Indigent Defender Fund
Post Office Box 1004
Mansfield, Louisiana 71052

I 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 of America, the financial statements of the governmental activities of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund (the "Fund") as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued my report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the first preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any weaknesses in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Certified Public Accountant

Shreveport, Louisiana
December 22, 2017

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund
DeSoto and Sabine Parishes, Louisiana
Schedule of Findings, Responses and
Prior Year Findings

Summary of Audit Results

1. The independent auditor's report expressed an unmodified opinion on the financial statements of Eleventh and Forty-Second Judicial Districts Indigent Defender Fund.
2. No instances of internal control deficiencies were disclosed during the examination.
3. No instances of noncompliance were disclosed during the examination.
4. No separate management letter was issued to Eleventh and Forty-Second Judicial Districts Indigent Defender Fund.

Findings for the Year Ended June 30, 2016

None.

Findings for the Year Ended June 30, 2015

None.

Independent Accountant's Report on Applying Agreed-Upon Procedures

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the District Defender
The 11th and 42nd Judicial Districts
Indigent Defender Fund and the
Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by 11th and 42nd Judicial Districts Indigent Defender Fund (11/42 IDF) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. I obtained the entity's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

An exception was found as none of the budgeting functions described above were addressed.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

An exception was noted as none of the purchasing functions described above were addressed.

c) ***Disbursements***, including processing, reviewing, and approving.

An exception was noted as none of the disbursement functions described above were addressed.

- d) **Receipts**, including receiving, recording, and preparing deposits.

An exception was noted as none of the receipt functions described above were addressed. (Exception)

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

An exception was noted as none of the payroll/personnel functions described above were addressed.

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

An exception was noted as none of the contracting functions described above were addressed.

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

None of the Credit Card functions described above were addressed. (While this is technically an exception, the entity does not have credit cards, debit cards, fuel cards or P-cards.)

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

No exception was noted.

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

An exception was noted as none of the Ethics functions described above were addressed.

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

None of the Debt Service functions described above were addressed. (While this is technically an exception, the entity does not have any issued debt or other debt serving requirements.)

Board (or Finance Committee, if applicable)

2. I obtained and reviewed the board/committee minutes for the fiscal period, and:

- a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

While the Louisiana Public Defender Board provides general oversight of the 11/42 IDF activities, it does not exercise direct governance of the day-to-day activities of the 11/42.

- b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The District Defender sends monthly financial reports to the Louisiana Public Defender Board. However, the reports are not required to present budget-to-actual comparison on the General Fund. The entity's outside accountant prepares monthly reports for the District Defender which does include a budget-to-actual comparison on the General Fund for management's review and action.

- Determined if budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No fund balance deficit was noted.

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

Noted without exception.

Bank Reconciliations

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

Done without exception.

4. Using the listing provided by management, I select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, I obtained bank statements and reconciliations for all months in the fiscal period and determined whether:

- a) Bank reconciliations had been prepared;

Done without exception.

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

Management reviewed each bank reconciliation and initialed the reconciliation; however, the size of the entity requires that management also participate in each transaction from an approval standpoint.

- c) I determined if management had documentation reflecting that it has researched reconciling items that had been outstanding for more than 6 months as of the end of the fiscal period.

There were no such reconciling items.

Collections

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

Done without exception.

6. Using the listing provided by management, I selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

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

I noted that employees involved in the cash receipts function:

- 1.) were bonded without exception,*
- 2.) were also responsible for depositing the cash in the bank; however, the deposit is recorded by an outside accountant who also reconciles the bank statement, and*
- 3.) shared the same cash drawer.*

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

No exception noted.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report

whether the deposits were made within one day of collection. If deposits were not made within one day of collection, I determined the number of days from receipt to deposit for each day at each collection location.

The entity does not record the date checks are received in the mail, thus I could not test the timeliness of deposits for the highest collection week which consisted entirely of mailed-in checks. As an alternative procedure, I selected the month with the highest currency collection for testing. I tested 37 items and noted 7 were deposited within one day; 15 between 2-5 days; 14 between 6-10 days; and 1 deposited after 11 days.

- Using sequentially numbered receipts, system reports, or other related collection documentation, I verified that daily cash collections are completely supported by documentation.

No exception noted.

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

The entity does not have written policies and procedures specifically defined to determine completeness of all collections by a person who is not responsible for collections. However, while there is no written policy, the entity engages the services of an outside accountant to assist management in performing the functions described above.

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

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

Done without exception.

9. Using the disbursement population from #8 above, I randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. I obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The entity does not use a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

The entity does not use a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

No exception was noted.

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

The entity uses the services of an outside accountant who processes payments using their own accounting system. The accountant adds vendors as necessary to the accounting system upon receiving an approved invoice from management. As a compensating control, the outside accountant does not have check signing authority.

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

Due to the size of the entity, persons with signatory authority are able to initiate purchases; however, they are restricted from recording purchases.

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

No exception was noted.

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

A signature stamp is maintained by a staff member, not the signer, in a locked desk drawer. The signature stamp is used only with the knowledge and consent of the signer.

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

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

Not applicable. The entity does not use credit cards, debit cards, fuel cards or P-cards.

15. Using the listing prepared by management, I was to randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

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

None of the foregoing were applicable as the entity does not uses such cards.

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

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, I was to compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, I was to compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and

report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

None of the foregoing were applicable as the entity does not uses such cards.

Travel and Expense Reimbursement

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

Done without exception.

18. I obtained the entity's written policies related to travel and expense reimbursements. I compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined whether any amounts that exceed GSA rates.

The entity's policies comply with the Louisiana State Employees Travel Regulations.

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

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

No exception was noted.

b.) Determined whether each expense is supported by:

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

No exceptions noted.

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

Documentation of the business/public purpose was noted without exception. However, two meal receipts did not indicate the individuals participating.

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

No exception was noted.

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

No exception was noted.

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

The District Defender reviewed and approved reimbursements to himself. The District Defender is the agency head with no governing body providing direct day-to-day oversight of operations. Due to the size of the entity this may not be avoidable.

Contracts

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

Done without exception

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

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

No exceptions noted.

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

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

None of the contracts examined were subject to the Louisiana Bid Law or Procurement Code.

- Since the Louisiana Bid Law or Procurement Code did not apply, I sought to obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

None of the 5 contracts tested showed evidence the entity solicited quotes as a best practice.

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

None of the contracts tested were amended.

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

No exception was noted.

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

Not applicable.

Payroll and Personnel

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

Done without exception.

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

No exception was noted.

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

No exception was noted.

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

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

No exception was noted.

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

No exception was noted.

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

No exception was noted.

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

No employees terminated for which such termination payments were required.

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

No exception was noted.

Ethics (excluding nonprofits)

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

No exception was noted.

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

Management stated there were no reported violations.

Debt Service (excluding nonprofits)

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

Not applicable. The entity has no issued debt.

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

Not applicable. The entity has no outstanding debt.

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

Not applicable. The entity has no tax mileages related to debt service.

Other

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

Management has asserted the entity had no misappropriation of public funds or assets.

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

No exception was noted.

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

No exception was noted.

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

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



Certified Public Accountant

Shreveport, Louisiana
December 22, 2017