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

**ANNUAL GENERAL PURPOSE FINANCIAL REPORT
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
DECEMBER 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 JUL 21 1999

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana (the Board), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issues. Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, has included such disclosures in Note 10. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Fourteenth Judicial District Indigent Defender Board's disclosures with respect to the year

2000 issue made in Note 9. Further, we do not provide assurance that Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, is or will be year 2000 ready, that Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, as of December 31, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 1999 on our consideration of The Fourteenth Judicial District Indigent Defender Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana.

McElroy, Quirk & Burch

Lake Charles, Louisiana
February 13, 1999

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET
December 31, 1998

ASSETS	Governmental Funds- General Fund	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	1998	1997
Cash-operating	\$ 5,387	\$ -	\$ -	\$ 5,387	\$ 12,349
Cash-board account	99,889	-	-	99,889	73,614
Cash and cash equivalents- contingent fund	181,293	-	-	181,293	91,199
Restricted assets:					
Cash-district assistance fund	336,864	-	-	336,864	391,782
Receivable-district assistance fund	67,500	-	-	67,500	-
Receivables:					
Court cost on fines and forfeitures	37,522	-	-	37,522	47,204
Accrued interest	64	-	-	64	68
Fixed assets	-	133,646	-	133,646	141,148
Amount to be provided for retirement of general long- term obligations	-	-	1,363	1,363	3,342
Total assets	\$ 728,519	\$ 133,646	\$ 1,363	\$ 863,528	\$ 760,706
LIABILITIES AND FUND BALANCE					
Liabilities:					
Lease purchase contract	\$ -	\$ -	\$ 363	\$ 363	\$ 2,342
Accounts payable	8,491	-	-	8,491	10,663
Accounts payable (payable from restricted assets)	8,970	-	-	8,970	17,419
Payroll taxes payable	48	-	-	48	941
Annual leave payable	28,688	-	1,000	29,688	21,717
Other liabilities	2,693	-	-	2,693	2,693
Total liabilities	48,890	-	1,363	50,253	55,775
Fund balance:					
Investment in general fixed assets -	133,646	-	133,646	141,148	
Fund balance:					
Reserved for district assistance fund	395,394	-	-	395,394	374,363
Designated for operating costs	242,880	-	-	242,880	91,199
Unreserved-undesignated	41,355	-	-	41,355	98,221
Total fund balance	679,629	133,646	-	813,275	704,931
Total liabilities and fund balance	\$ 728,519	\$ 133,646	\$ 1,363	\$ 863,528	\$ 760,706

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 1998
With Comparative Amounts for the Year Ended December 31, 1997

	<u>General Fund</u>	
	<u>1998</u>	<u>1997</u>
Revenues:		
Court costs on fines and forfeitures	\$ 841,428	\$ 840,697
Intergovernmental revenue:		
Grants-Louisiana Indigent Defender Board	232,161	208,031
Fees from indigents	7,500	4,991
Use of money and property - interest earnings	21,151	23,312
Expert witness fees reimbursed	-	4,575
Total revenues	<u>1,102,240</u>	<u>1,081,606</u>
Expenditures:		
General government-judicial:		
Salaries and related benefits	599,065	535,276
Professional services	236,480	228,303
Litigation support	2,444	9,701
Library	5,860	3,846
Material and supplies	21,179	18,754
Travel	4,852	5,547
Rent	63,858	64,917
Telephone	10,651	9,754
Other operating expenditures	26,889	23,430
Capital outlay and equipment	12,896	12,425
Debt service:		
Principal	1,979	1,681
Interest	241	540
Total expenditures	<u>986,394</u>	<u>914,174</u>
Excess of revenues over expenditures	115,846	167,432
Fund balance, beginning	<u>563,783</u>	<u>396,351</u>
Fund balance, ending	<u>\$ 679,629</u>	<u>\$ 563,783</u>

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 1998
With Comparative Actual Amounts for the Year Ended December 31, 1997

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
Revenues:				
Court costs on fines and forfeitures	\$ 816,500	\$ 851,031	\$ 34,531	\$ 841,951
Intergovernmental revenues:				
Grant-Louisiana Indigent Defender Board	350,000	164,661	(185,339)	208,031
Fees from indigents	6,000	7,791	1,791	5,130
Use of money and property-interest earnings	5,500	21,155	15,655	23,288
Expert witness fees reimbursed	-	-	-	4,575
Total revenues	<u>1,178,000</u>	<u>1,044,638</u>	<u>(133,362)</u>	<u>1,082,975</u>
Expenditures:				
General government-judicial:				
Salaries and related benefits	650,000	591,094	58,906	526,103
Professional services	250,000	232,810	17,190	208,221
Litigation support	20,000	2,444	17,556	1,701
Library	8,500	5,860	2,640	3,846
Materials and supplies	25,500	21,179	4,594	18,754
Travel	7,500	4,852	2,648	5,547
Rent	75,000	63,858	11,142	64,917
Telephone	12,500	10,651	1,849	9,754
Other operating expenditures	35,000	22,309	12,691	23,430
Capital outlay and equipment	<u>45,000</u>	<u>3,928</u>	<u>40,799</u>	<u>12,425</u>
Total expenditures	<u>1,129,000</u>	<u>958,985</u>	<u>170,015</u>	<u>874,698</u>
Excess of revenues over expenditures (budgetary basis)	<u>\$ 49,000</u>	85,653	<u>\$ 36,653</u>	208,277

(continued on next page)

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA
GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 1998
With Comparative Actual Amounts for the Year Ended December 31, 1997
(Continued)

	<u>1998</u>		<u>1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		Variance Favorable (Unfavorable)	
Adjustments:			
To adjust revenues for accruals		57,602	(1,369)
To adjust expenditures for accruals		(25,189)	(37,255)
Debt service:			
Principal		(1,979)	(1,681)
Interest		<u>(241)</u>	<u>(540)</u>
Excess of revenues over expenditures (GAAP basis)		115,846	167,432
Fund balance, beginning		<u>563,783</u>	<u>396,351</u>
Fund balance, ending		<u>\$ 679,629</u>	<u>\$ 563,783</u>

See Notes to Financial Statements.

THE FOURTEENTH JUDICIAL DISTRICT
INDIGENT DEFENDER BOARD

PARISH OF CALCASIEU, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 1998

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

The Indigent Defender Board is composed of six board members appointed by the judges of the Fourteenth Judicial District Courts. Compensation for services is prohibited and members of the Board were paid no per diem payments or compensation during 1998 by the Board for their services on The Fourteenth Judicial District Indigent Defender Board. The Board employs twenty employees and six contract attorneys.

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

NOTES TO FINANCIAL STATEMENTS

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

C. FUND ACCOUNTING

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

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

D. BASIS OF ACCOUNTING

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

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

NOTES TO FINANCIAL STATEMENTS

Revenues

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

Expenditures

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

Pervasiveness of estimates

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

E. BUDGET PRACTICES

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

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

NOTES TO FINANCIAL STATEMENTS

The budget for the Board is adopted on the cash basis, which is not in conformity with generally accepted accounting principles (GAAP). All budgetary proposed expenditures lapse at the end of each year. During 1998 there were no revisions to the budget. Encumbrance accounting is not used.

F. CASH AND CASH EQUIVALENTS

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

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

G. FIXED ASSETS

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

H. COMPENSATED ABSENCES

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

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

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

NOTES TO FINANCIAL STATEMENTS

I. BAD DEBTS

No reserve for uncollectible receivables had been recorded as of December 31, 1998, as all receivables were considered collectible.

J. FUND EQUITY

Reserves:

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

Designated fund balance:

Designated fund balances represent tentative plans for future use of financial resources. The Board had designated \$242,880 of its General Fund equity for anticipated operating costs of the public defender's office as of December 31, 1998 and \$91,199 as of December 31, 1997.

K. COMPARATIVE DATA

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

L. TOTAL COLUMNS ON STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 2. CASH AND CASH EQUIVALENTS

At December 31, 1998 and 1997, the Board had cash and cash equivalents (book balances) as follows:

	1998	1997
Demand deposits	\$ 442,140	\$ 477,745
Certificates of deposit	37,284	35,816
Daily cash accumulation fund	144,009	55,383
Total	\$ 623,433	\$ 568,944

The Board's deposits (or the resulting bank balances), under state law, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. As of December 31, 1998 and 1997, the Board's deposits as of the balance sheet date were entirely covered by FDIC insurance or by pledge of securities owned by the financial institution in the Board's name. The deposits at December 31, 1998 and 1997 classified to give an indication of the level of risk assumed by the Board are as follows:

	Demand Deposits	Certificates of Deposit
December 31, 1998		
Carrying amount	\$ 586,149	\$ 37,284
Bank balances:		
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 100,000	\$ -
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	508,098	37,284
c. Uncollateralized, including any securities held for the entity but not in the entity's name	-	-
Total bank balances	\$ 608,098	\$ 37,284

NOTES TO FINANCIAL STATEMENTS

	<u>Demand Deposits</u>	<u>Certificates of Deposit</u>
December 31, 1997		
Carrying amount	<u>\$ 533,128</u>	<u>\$ 35,816</u>
Bank balances:		
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 100,000	\$ -
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	469,650	35,816
c. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 569,650</u>	<u>\$ 35,816</u>

Note 3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

Furniture and equipment:	
Balance January 1, 1998	\$ 141,148
Additions	12,897
Disposals	<u>(20,399)</u>
Balance December 31, 1998	<u>\$ 133,646</u>

Note 4. GRANTS - LOUISIANA INDIGENT DEFENDER BOARD

The Board has received grant revenue from the Louisiana Indigent Defender Board (LIDB) in order to provide supplemental funding for the defense of indigent persons accused of capital and felony crimes. The funds from these grants are restricted to the specific uses as determined by the LIDB at the time the funds are granted. The funds received from these grants and the related expenditures during the years ended December 31, 1998 and 1997 were as follows:

NOTES TO FINANCIAL STATEMENTS

	<u>1998</u>	<u>1997</u>
Revenues:		
Grants received	\$ 232,161	\$ 208,031
Use of money and property-interest earnings	10,215	8,629
Expert witness fees reimbursed	<u>-</u>	<u>4,575</u>
Total revenues	<u>242,376</u>	<u>221,235</u>
Expenditures:		
Salaries and related benefits	134,260	85,691
Professional services	28,511	44,289
Litigation support	-	270
Material and supplies	1,434	1,006
Telephone	-	461
Other operating expenditures	900	2,207
Capital outlay and equipment	<u>-</u>	<u>10,451</u>
Total expenditures	<u>165,105</u>	<u>144,375</u>
Excess revenues over expenditures	<u>\$ 77,271</u>	<u>\$ 76,860</u>

Note 5. PENSION PLAN

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

Note 6. CAPITAL LEASE

The Board has entered into a lease agreement as lessee for financing the acquisition of telephone equipment. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The carrying value of the telephone equipment recorded in the General Fixed Assets account group totaled \$8,238 at December 31, 1998 and 1997. The 1995 lease purchase contract was paid off during 1997 and the equipment was traded in on the new lease purchase contract described above.

NOTES TO FINANCIAL STATEMENTS

Following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at December 31, 1998:

General Year Ended <u>December 31</u>	Long-Term <u>Debt</u>
1999	\$ 370
2000	-
2001	-
2002	<u>-</u>
Total minimum lease payments	370
Less amount representing interest	<u>7</u>
Present value of future minimum lease payments	<u>\$ 363</u>

Note 7. OPERATING LEASE

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

Note 8. BUDGETARY - GAAP REPORTING RECONCILIATION

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual-General Fund presents comparisons of the adopted budget (more fully described in Note 1) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis differences in excess (deficiency) of revenues over expenditures for the year ended December 31, 1998 is presented on the budgetary comparison statement, Statement C.

NOTES TO FINANCIAL STATEMENTS

Note 9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

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

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Total</u>
Long-term obligations payable at December 31, 1997	\$ 1,000	\$ 2,342	\$ 3,342
Deductions	<u>-</u>	<u>(1,979)</u>	<u>(1,979)</u>
Long-term obligations payable at December 31, 1998	<u>\$ 1,000</u>	<u>\$ 363</u>	<u>\$ 1,363</u>

Note 10. YEAR 2000 COMPLIANCE (UNAUDITED)

The year 2000 issue is the result of shortcomings in many electric data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. As of the year ended December 31, 1998, Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, has completed all steps in becoming year 2000 compliant.

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

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

We have audited the financial statements of the Fourteenth Judicial District Indigent Defender Board, Parish of Calcasieu, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated February 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fourteenth Judicial District Indigent Defender Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in The Fourteenth Judicial District Indigent Defender Board's 1998 financial statements.

The Board failed to comply with LA Revised Statute 39:1310 which requires budget amendments when total actual revenues and other sources exceed or fail to meet total budgeted revenues and other sources by five percent or more. For the year ended December 31, 1998, General Fund revenues and other sources failed to meet budgeted revenues and other sources by 11.3%. LA Revised Statute 39:1310 also requires budget amendments when total actual expenditures and other uses exceed or fail to meet total budget expenditures and other uses by five percent or more. For the year ended December 31, 1998, General Fund expenditures and other uses failed to meet budgeted expenditures and other uses by 15.1%.

We considered this instance of noncompliance in forming our opinion on whether The Fourteenth Judicial District Indigent Defender Board, December 31, 1998 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 13, 1999 on those financial statements.

Internal Control Over Financial Reporting

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

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

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

For the year ended December 31, 1998, General Fund actual revenues and other sources failed to meet total budget revenues and other sources by 11.3%. The General Fund actual expenditures and other uses failed to meet total budget expenditures and other uses by 15.1%. LA Revised Statute 39:1310 requires budget amendments when total actual revenues and other sources or expenditures and other uses exceed or fail to meet total budget revenues and other sources or expenditures and other uses by five percent or more.

Management responded that actual revenue is reviewed and all expenditures are approved monthly by the Board of Directors.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

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

McElroy, Quirk & Burch

Lake Charles, Louisiana
February 13, 1999