

**TWENTY-FIRST JUDICIAL DISTRICT COURT
INDIGENT DEFENDER BOARD
AMITE, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

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

Release Date 8/11/04

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
As of and For the Year Ended December 31, 2003

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

June 25, 2004

Independent Auditor's Report

Board of Directors
Twenty-First Judicial District Court
Indigent Defender Board
Amite, Louisiana

We have audited the accompanying financial statements of the governmental activities and the general fund of the Twenty-First Judicial District Court Indigent Defender Board, Amite, Louisiana, as of and for the year ended December 31, 2003, which collectively comprise the Twenty-First Judicial District Court Indigent Defender Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Twenty-First Judicial District Court Indigent Defender Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Twenty-First Judicial District Court Indigent Defender Board, Amite, Louisiana, as of December 31, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004 on our consideration of the Twenty-First Judicial District Court Indigent Defender Board's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Twenty-First Judicial District Court
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The Management's Discussion and Analysis on pages 4 through 8 and the budgetary comparison schedule identified as Schedule 1 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Durnin & James, CPAs

Durnin & James, CPAs
(A Professional Corporation)

Management's Discussion and Analysis

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Management's Discussion and Analysis

December 31, 2003

As management of the Twenty-First Judicial District Court Indigent Defender Board, Amite, Louisiana (the "Indigent Defender Board"), we offer readers of the Indigent Defender Board's financial statements this narrative overview and analysis of the financial activities of the Indigent Defender Board for the fiscal year ended December 31, 2003. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Indigent Defender Board's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Indigent Defender Board's finances. It is also intended to provide readers with an analysis of the Indigent Defender Board's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Indigent Defender Board. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Indigent Defender Board's financial activity, identify changes in the Indigent Defender Board's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Indigent Defender Board's financial statements. The Indigent Defender Board's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Indigent Defender Board's financial position and results of operations in a manner similar to a private-sector business.

- A. The statement of net assets presents information on all of the Indigent Defender Board's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets

Twenty-First Judicial District Court Indigent Defender Board
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Management's Discussion and Analysis (Continued)

December 31, 2003

and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Indigent Defender Board is improving or weakening.

- B. The *statement of activities* presents information showing how the Indigent Defender Board's net assets change during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., defendant fees).

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Indigent Defender Board's assets exceeded its liabilities at the close of the most recent fiscal year by \$87,153 (net assets). Of this amount, \$69,524 are unrestricted net assets.

A portion of the Indigent Defender Board's net assets (20.23 percent) reflects its investment in capital assets (e.g., machinery & equipment, furniture, etc.), less any related debt used to acquire those assets that is still outstanding. The Indigent Defender Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets (\$69,524) may be used to meet the Indigent Defender Board's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Indigent Defender Board is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

Governmental Activities

The Governmental Activities of the Indigent Defender Board include General Government. Defendant Fees and court costs fund these governmental activities.

Here we show the Indigent Defender Board's major expenditures related to those functions typically associated with governments. In the chart below, General Government includes the following major expenditures:

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Management's Discussion and Analysis (Continued)

December 31, 2003

	Amount	Percent
Salaries & Related Benefits	\$ 880,540	85.63%
Expert Witness Fees & Attorneys	25,881	2.52%
Legal & Professional	15,456	1.50%
Utilities & Telephone	39,715	3.86%
Other Expenditures	66,680	6.48%
Total Expenditures	\$ 1,028,272	100.00%

General revenues are those available for the Indigent Defender Board to use to pay for the governmental activities described above.

	Amount	Percent
Court Cost on Fines and Forfeitures	\$ 637,368	68.27%
Application Fees	10,920	1.17%
Fees from Indigents	138,487	14.83%
State Grants	132,579	14.20%
Expert Witness Fee Refund	12,176	1.30%
Interest Earnings	2,016	0.22%
Total Revenues	\$ 933,546	100.00%

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Indigent Defender Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Indigent Defender Board consist of one category: governmental funds.

A. Governmental funds are used to account for most of the Indigent Defender Board basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Indigent Defender Board's general government operations and the basic

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Management's Discussion and Analysis (Continued)

December 31, 2003

services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Indigent Defender Board's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located at Note 1.E.

The Indigent Defender Board maintains only one governmental fund, the General Fund. Information is presented on the General Fund at Exhibits A and B of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Indigent Defender Board's General Fund reported an ending fund balance of \$87,153.

The Indigent Defender Board retains a reasonable surplus in the General Fund for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements, and other similar conditions.

3. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 12 through 22 of this report.

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on Schedule 1 of this report.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Management's Discussion and Analysis (Continued)

December 31, 2003

Capital Assets

The Indigent Defender Board's investment in capital assets for its governmental activities as of December 31, 2003 amounts to \$17,629 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture & fixtures. The increase in the Indigent Defender Board's investment in capital assets for the current fiscal year was \$4,673, due to purchases of new furniture & equipment as well as a prior period adjustment for accumulated depreciation.

There were no major capital asset additions during the current fiscal year.

Additional information on the Indigent Defender Board's capital assets can be found in Note 5 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Indigent Defender Board's budget for the 2004 fiscal year:

For fiscal year ending December 31, 2004, there is no budgeted revenue increase in court costs over the December 31, 2003 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$69,524. There is no surplus or deficit budgeted for the fiscal year ending December 31, 2004.

Requests for Information

This financial report is designed to provide a general overview of the Indigent Defender Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mary Hughes, P.O. Box 1004, Amite, Louisiana, 70422.

Basic Financial Statements

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Exhibit A

Governmental Funds Balance Sheet / Statement of Net Assets

December 31, 2003

	<u>General Fund</u>	<u>Adjustments - Note 1</u>	<u>Statement of Net Assets</u>	
			<u>2003</u>	<u>2002</u>
Assets				
Cash and Cash Equivalents	\$ 19,122	\$ -	\$ 19,122	\$ 73,435
Investments	60,000	-	60,000	100,153
Receivables	35,026	-	35,026	52,945
Employee Advances	5,254	-	5,254	-
Other Assets - Security Deposit	529	-	529	529
Capital Assets, Net of Accumulated Depreciation (Note 6)	<u>-</u>	<u>17,629</u>	<u>17,629</u>	<u>12,956</u>
Total Assets	<u>\$ 119,931</u>	<u>\$ 17,629</u>	<u>\$ 137,560</u>	<u>\$ 240,018</u>
Liabilities				
Accounts Payable	\$ 5,096	\$ -	\$ 5,096	\$ 17,637
Payroll Taxes	14,412	-	14,412	3,187
Retirement Payable	<u>30,899</u>	<u>-</u>	<u>30,899</u>	<u>28,758</u>
Total Liabilities	<u>\$ 50,407</u>	<u>\$ -</u>	<u>\$ 50,407</u>	<u>\$ 49,582</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ -	\$ 17,629	\$ 17,629	\$ 12,956
Unreserved, Undesignated	<u>69,524</u>	<u>-</u>	<u>69,524</u>	<u>177,480</u>
Total Net Assets	<u>\$ 69,524</u>	<u>\$ 17,629</u>	<u>\$ 87,153</u>	<u>\$ 190,436</u>

The accompany notes are an integral part of this statement.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Exhibit B

Statement of Governmental Fund Revenues, Expenditures, and Changes in
Fund Balances / Statement of Activities

For the Year Ended December 31, 2003

	General Fund	Adjustments - Note 1	Statement of Activities 2003	Statement of Activities 2002
Expenditures / Expenses:				
Salaries and Related Benefits	\$ (880,540)	\$ -	\$ (880,540)	\$ (863,906)
Expert Witness Fee	(4,400)	-	(4,400)	(4,075)
Insurance	(16,028)	-	(16,028)	(12,796)
Other Attorneys	(21,481)	-	(21,481)	(27,641)
Other Expenditures	(24,833)	-	(24,833)	(21,106)
Professional Fees	(15,456)	-	(15,456)	(15,438)
Publications	(7,758)	-	(7,758)	(6,444)
Rent - Office	(11,481)	-	(11,481)	(11,570)
Travel	(20,561)	-	(20,561)	(21,420)
Utilities and Telephone	(20,115)	-	(20,115)	(19,333)
Capital Outlay	(5,619)	5,619	-	-
Depreciation Expense	-	(8,665)	(8,665)	(7,687)
Total Expenditures / Expenses	\$ (1,028,272)	\$ (3,046)	\$ (1,031,318)	\$ (1,011,416)
Program Revenues:				
Fees from Indigents	\$ 138,487	\$ -	\$ 138,487	\$ 140,659
Application Fees	10,920	-	10,920	-
Net Program Expenses	\$ (878,865)	\$ (3,046)	\$ (881,911)	\$ (870,757)
General Revenues:				
Court Cost on Fines and Forfeitures	\$ 637,368	\$ -	\$ 637,368	\$ 686,846
State Grants	132,579	-	132,579	177,281
Expert Witness Fee Refund	12,176	-	12,176	-
Interest Earnings	2,016	-	2,016	10,102
Total General Revenues	\$ 784,139	\$ -	\$ 784,139	\$ 874,229
Excess (Deficiency) of Revenues over Expenditures	\$ (94,726)	\$ (3,046)	\$ (97,772)	\$ 3,472
Fund Balance / Net Assets				
Beginning of the Year	\$ 177,480	\$ 12,956	\$ 190,436	\$ 186,964
Prior Period Adjustment	(13,230)	7,719	(5,511)	-
End of the Year	\$ 69,524	\$ 17,629	\$ 87,153	\$ 190,436

The accompany notes are an integral part of this statement.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2003

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Notes to the Financial Statements

For the Year Ended December 31, 2003

Narrative Profile

The Twenty-First Judicial District Court Indigent Defender Board (Indigent Defender Board) was established in compliance with Louisiana Revised Statutes, to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The judicial district encompasses the parishes of Livingston, St. Helena, and Tangipahoa, Louisiana. The Indigent Defender Board is comprised of seven members who shall be appointed by the Judges of the Twenty-First Judicial District Court, for terms not to exceed five years. Members shall serve without compensation, but may be reimbursed for necessary out-of-pocket expenses. The Indigent Defender Board has both full and part-time employees.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Twenty-First Judicial District Court 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. 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.

B. Financial Reporting Entity

For the financial reporting purposes, in conformance with GASB Codification Section 2100, the Indigent Defender Board is a part of the district court system of the State of Louisiana. However, the state statutes that created the district boards also gave each of the boards control over their own operations. This includes the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The Indigent Defender Board is financially independent and operates autonomously from the State of Louisiana and independent from the district court system. Therefore, the Indigent Defender Board reports as a reporting entity, not as a component unit and the basic financial statements include only the transactions of the Indigent Defender Board.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

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.

Governmental Funds

Governmental funds account for all of the Indigent Defender Board's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

The governmental fund of the Indigent Defender Board includes:

General Fund – the general operating fund of the Indigent Defender Board and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Indigent Defender Board policy.

D. Basis of Accounting

Fund Financial Statements (FFS)

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

The amounts reflected in the Governmental Funds of Exhibits A and B use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Indigent Defender Board considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated

Twenty-First Judicial District Court Indigent Defender Board
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Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

absences and claims and judgments which are recognized when the obligation are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Revenues are generally recognized when they become measurable and available as net current assets. Court costs are recorded when due. Substantially all other revenues are recorded when received.

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

E. Government-Wide Financial Statements (GWFS)

The column labeled Statement of Net Assets (Exhibit A) and the column labeled Statement of Activities (Exhibit B) displays information about the Indigent Defender Board as a whole. These statements include all the financial activities of the Indigent Defender Board. Information contained in these columns reflects the economic resources management 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). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Exhibit B) are derived directly from the Indigent Defender Board's users as a fee for services; program revenues reduce the cost of the function to be financed from the Indigent Defender Board's general revenues.

Reconciliation:

The reconciliation of the items reflected in the funds columns to the Statement of Activities (Exhibit B) and the Statement of Net Assets (Exhibit A) are as follows:

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

Exhibit B

Capitalization of Capital Assets	\$ 5,619
Recording of Depreciation Expense	<u>(8,665)</u>
	\$ (3,046)
Adjustment to Beginning Fund Balance for Prior Years:	
Capital Assets	\$ 12,956
Prior Period Adjustment:	
To Correct Depreciation Calculation in Prior Year	<u>7,719</u>
Net Effect of Changes	<u><u>\$ 17,629</u></u>

Exhibit A

Recording Net Capital Assets	<u>\$ 17,629</u>
Net Effect of Changes	<u><u>\$ 17,629</u></u>

F. Budgets and Budgetary Accounting

The Indigent Defender Board did not follow the provisions of LSA-R.S. 39:1301-15 in preparing and adopting a budget for the year ended December 31, 2003. The original budget was not advertised as required and a public hearing was not held as required. In addition, actual revenues for the year failed to meet budgeted revenues for the year by 13.05% in violation of LSA-R.S. 39:1311.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and time certificates of deposit. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the board may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash and cash equivalents are insured through the Federal Deposit Insurance Corporation.

H.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the board's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are recorded at cost plus accrued interest. Investments are insured through the Federal Deposit Insurance Corporation.

I. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

Furniture & Fixtures	5 Years
Equipment	7 Years

J. Compensated Absences

Vacation and sick leave policies are set by the Indigent Defender Board. Employees receive three weeks vacation if continuously employed for five years, two weeks if continuously employed for two years, and one week if continuously employed for one year. Vacation leave does not accrue. Sick leave is accumulated at the rate of one day per month beginning with the first full month of employment. Sick leave may be accrued up to a maximum of sixty days. Accrued sick leave will not be paid to an employee upon termination; therefore, no accruals for sick leave are reflected in these basic financial statements. The holidays designated as court holidays by the State Legislature are observed.

K.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

Retirement System

Substantially all employees of the Indigent Defender Board are members of the Parochial Employees Retirement System of Louisiana (System), a cost sharing multiple-employer (defined benefit), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Indigent Defender Board are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy – Plan members are required by state statute to contribute 9.50 percent of their annual covered salary and the Indigent Defender Board is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Indigent Defender Board's contributions to the System for the year ending December 31, 2003, was \$56,141, equal to the required contributions for the year.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

L. Long-Term Obligations

There were no long-term obligations at December 31, 2003.

M. Fund Equity

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated by the account title on the face of the balance sheet.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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 December 31, 2003, the Indigent Defender Board has cash and cash equivalents totaling \$17,987 as follows:

Total Cash and Cash Equivalents	\$	19,122
Less: Petty Cash		<u>(1,135)</u>
Interest Bearing Demand Deposits	\$	<u>17,987</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Indigent Defender Board has \$27,824 in deposits (collected bank balances). These deposits are secured from risk by \$27,824 of federal deposit insurance.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

3. Investments

At December 31, 2003, the Indigent Defender Board has investments totaling \$60,000 as follows:

	Carrying Amount	Market Value
Certificate of Deposit	\$ 20,000	\$ 20,000
Certificate of Deposit	40,000	40,000
	\$ 60,000	\$ 60,000

The Indigent Defender Board invests some of its available cash in Certificates of Deposit (CDs). Time deposits with original maturities of 90 days or more are considered to be investments. These certificates are insured by \$60,000 of federal deposit insurance and \$-0- of pledged securities.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 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 board that the fiscal agent has failed to pay deposited funds upon demand.

4. Receivables

The following is a summary of receivables at December 31, 2003:

Class of Receivables	
Court Costs	\$ 35,026
Total	\$ 35,026

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

5. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2003:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31</u>
Equipment	\$ 72,924	\$ 4,236	\$ -	\$ 77,160
Furniture	<u>6,704</u>	<u>1,383</u>	<u>-</u>	<u>8,087</u>
	\$ 79,628	\$ 5,619	\$ -	\$ 85,247
Less: Accumulated Depreciation	<u>\$ 66,672</u>	<u>\$ 8,665</u>	<u>\$ 7,719</u>	<u>\$ 67,618</u>
Total	<u>\$ 12,956</u>	<u>\$ (3,046)</u>	<u>\$ (7,719)</u>	<u>\$ 17,629</u>

Depreciation was charged to governmental functions in the amount of \$8,665.

6. Leases

The Indigent Defender Board is renting some of its office space for the Livingston office. The rental terms are as follows: 1) monthly payments of \$800, 2) minor repairs and maintenance on the building. The current agreement runs through January 2006. The office rent expense for 2002 was \$9,779.

7. Related Party Transactions

There were no related party transactions for the year ended December 31, 2003.

8. Litigation

As of December 31, 2003, the Indigent Defender Board was not involved in any pending or aware of any threatened litigation.

9. Prior Period Adjustment

The prior period adjustment shown on the Statement of Activities is the result of a review of capital asset depreciation recorded during 2002. It was determined that the calculation for

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2003

depreciation expense was in error. As a result, an adjustment was needed to properly show the net balance of capital assets as of December 31, 2003. The net amount of this adjustment, including both cost and accumulated depreciation, totaled \$7,719.

Required Supplemental Information

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Schedule 1

Budgetary Comparison Schedule

For the Year Ended December 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Fees from Indigents	\$ 148,000	\$ 148,000	\$ 138,487	\$ (9,513)
Application Fees	-	-	10,920	10,920
Court Cost on Fines & Forfeitures	783,000	783,000	637,368	(145,632)
State Grants	134,608	134,608	132,579	(2,029)
Expert Witness Fee Refund	-	-	12,176	12,176
Interest Earnings	8,000	8,000	2,016	(5,984)
Total Revenues	<u>\$ 1,073,608</u>	<u>\$ 1,073,608</u>	<u>\$ 933,546</u>	<u>\$ (140,062)</u>
Expenditures:				
Salaries & Related Benefits	\$ 911,747	\$ 911,747	\$ 880,540	\$ 31,207
Expert Witness Fee	15,000	15,000	4,400	10,600
Insurance	13,211	13,211	16,028	(2,817)
Other Attorneys	25,000	25,000	21,481	3,519
Other Expenditures	26,550	26,550	24,833	1,717
Professional Fees	19,000	19,000	15,456	3,544
Publications	6,000	6,000	7,758	(1,758)
Rent - Office	11,600	11,600	11,481	119
Travel	20,000	20,000	20,561	(561)
Utilities and Telephone	15,500	15,500	20,115	(4,615)
Capital Outlay	10,000	10,000	5,619	4,381
Total Expenditures	<u>\$ 1,073,608</u>	<u>\$ 1,073,608</u>	<u>\$ 1,028,272</u>	<u>\$ 45,336</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94,726)</u>	<u>\$ (94,726)</u>
Fund Balance				
Beginning of the Year	\$ -	\$ -	\$ 177,480	\$ 177,480
Prior Period Adjustment	-	-	(13,230)	(13,230)
End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,524</u>	<u>\$ 69,524</u>

See auditor's report.

**Other Independent Auditor's Reports and
Findings and Recommendations**

**Independent Auditor's Report on Compliance and on
Internal Control Over Financial Reporting Based on an
Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

June 25, 2004

Independent Auditor's Report on Compliance and On Internal Control
Over Financial Reporting Based on an Audit of Basic
Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Directors
Twenty-First Judicial District Court
Indigent Defender Board
Amite, Louisiana

We have audited the accompanying financial statements of the governmental activities and the general fund of the Twenty-First Judicial District Court Indigent Defender Board, Amite, Louisiana, as of and for the year ended December 31, 2003, which collectively comprise the Twenty-First Judicial District Court Indigent Defender Board's basic financial statements, and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Twenty-First Judicial District Court Indigent Defender Board's basic 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and recommendations as items 03-01 through 03-02.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Twenty-First Judicial District Court 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 basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters 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 Twenty-First Judicial District Court Indigent Defender Board's ability to record, process,

Twenty-First Judicial District Court
Indigent Defender Board

summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 03-03 through 03-06.

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 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 weakness. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

Findings and Recommendations

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Current Year Audit Findings

For the Year Ended December 31, 2003

Findings and Recommendations

Compliance

03-1 – Violations of State Budget Laws

The Indigent Defender Board did not comply with certain provisions of the Local Government Budget Act. Budget procedures applicable to the Indigent Defender Board are specified in state law, Louisiana Revised Statutes (LSA-R.S) 39:1301-1315. The pertinent parts of the law and the manner in which the Indigent Defender Board failed to comply are as follows:

LSA-R.S. 39:1307 – “...the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice...”

LSA-R.S. 39:1311 – “Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.”

Findings:

The Indigent Defender Board violated LSA-R.S. 39:1307 by not publishing a notice that the budget was available for public inspection. In addition, a public hearing for the budget was not held.

The Indigent Defender Board violated LSA-R.S. 39:1311 by not amending the budget for the year ended December 31, 2003, when budgeted revenues exceeded actual revenues in the General Fund by more than 5%.

	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>	<u>Variance</u>	<u>Percentage</u>
General Fund	\$ 1,073,608	\$ 933,546	\$ (140,062)	-13.05%

Recommendations:

We recommend the Indigent Defender Board adopt a budget for the General Fund prior to the beginning of each new fiscal year and follow all applicable state budget laws in the adoption of this budget. In addition, we recommend the Indigent Defender Board continue to closely monitor its budget and adopt budget amendments when required.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Current Year Audit Findings

For the Year Ended December 31, 2003

Findings and Recommendations

Management's Response:

As stated in Management's Corrective Action Plan, management will adopt a budget for the General Fund prior to the beginning of each new fiscal year and will follow all applicable state budget laws in the adoption of this budget. In addition, management will continue to closely monitor our budget and adopt budget amendments when required.

03-2 – Employee Payroll Advances

During our audit and testing of payroll and related expenditures, we noted instances of payroll advances to employees that we feel are in violation of Article 7, Section 14 of the Louisiana Constitution which prohibits the loan of public funds. Article 7, Section 14 of the Louisiana Constitution states, in part, *"the funds, credit, property or things of value of the state or of any political subdivision shall not be loaned, pledged or donated to or for any person, association, or corporation, public or private."*

Findings

On December 19, 2003, an employee was paid their salary for January, 2004, in advance of the month for which the payroll actually accrued. This check cleared the bank on December 22, 2003, was not included in the employees Form W-2 for 2003 and was posted to a current asset account entitled *"Employee Advances"*. In August 2003, this same employee was paid their salary for September 2003, in advance of the month for which the payroll actually accrued.

Recommendation:

We recommend that the Indigent Defender Board standardize the payroll period and date of payment for all employee pay checks and that the board also adopt a policy prohibiting the payment of salaries in advance of the month for which the payroll actually accrues.

Management's Response:

In management's corrective action plan, management indicated that the Indigent Defender Board will standardize the payroll period and date of payment for all employee pay checks and that the board also adopt a policy prohibiting the payment of salaries in advance of the month for which the payroll actually accrues.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Current Year Audit Findings

For the Year Ended December 31, 2003

Findings and Recommendations

Internal Control over Financial Reporting

03-3 – Usage of Signature Stamp

Condition:

During our review and testing of internal controls related to cash disbursements, we noted that 25 checks out of a sample of 25 checks tested were signed through the use of a signature stamp. One required signature is for the chief public defender and the second required signature is for the outside accounting firm, both of whom were using signature stamps instead of a live signature. During discussions with various office and accounting personnel, we noted that the signature stamp of the chief public defender was in the custody of the office manager who also receives a monthly check for travel reimbursement. In general, the policy of signing checks using signature stamps creates an environment in which unauthorized disbursement could occur and not be detected in a timely manner by management. More specifically, by allowing the signature stamp of the chief public defender to be in the custody of another employee creates the opportunity in which someone who has no check signing authority by the board and who is also the recipient of travel reimbursement and payroll checks to sign checks without the review and approval of the chief public defender. We believe that improvement is needed in this area to ensure that checks are not signed or approved by personnel not authorized by the board to do so.

Recommendation:

We recommend that the Indigent Defender Board eliminate the use of signature stamps for use in signing checks. We further recommend, if practical, that a board member be one of the two required signatures on each check.

Management's Response:

As stated in Management's Corrective Action Plan, management will discontinue the use of a signature stamp for all check signers. In addition, management will consider the practicality of having a board member be one of the two required signatures on each check.

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Current Year Audit Findings

For the Year Ended December 31, 2003

Findings and Recommendations

03-4 – Lack of Approval of Invoices

Condition

During our review and testing of internal controls related to cash disbursements, we noted that 7 checks out of a sample of 25 checks tested were for invoices that did not contain the approval signature of the chief public defender. The chief public defender is required to approve all invoices prior to delivering them to the outside accountant for the preparation of checks. These checks were primarily for travel reimbursements. The outside accounting firm prepared checks for travel reimbursements based on a one page fax from the office manager listing total mileage by employee that was not approved by the chief public defender. This office manager is the recipient of travel reimbursements and also has custody of the signature stamp of the chief public defender. Allowing the office manager custody of the signature stamp and paying invoices for travel reimbursements and other expenditures that are not approved by the chief public defender creates an environment in which unauthorized expenditures could occur and not be detected timely by management.

Recommendation:

We recommend that the chief public defender approval all invoices including travel reimbursement requests. We further recommend the chief public defender personally review and approve each employee's mileage log prior to forwarding the mileage log to the outside accountant for check preparation.

Management's Response

As stated in Management's Corrective Action Plan, the chief public defender will continue to approve all invoices for payment as well as approve all travel reimbursement requests. In addition, the chief public defender will personally review and approve each employee's mileage log prior to sending the mileage log to the outside accounting firm for check preparation.

03-5 – Cash Payments For Application Fees

Condition:

During our review and testing of internal controls related to cash receipts, we noted that the office of the public defender accepts cash from defendants for payment of application fees. Act No. 288 of the 2003 Louisiana Regular Session allows Indigent Defender Boards throughout the state to collect a \$40 application fee from defendants when they apply for assistance although the public defender cannot refuse to defend someone because they cannot afford to pay the application fee. This fee is primarily collected at the courthouse by employees while meeting with defendants before their court

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Current Year Audit Findings

For the Year Ended December 31, 2003

Findings and Recommendations

sessions. As a result, a decision was made to allow defendants to pay the application fee in cash rather than money order. Although receipt books are used to provide a record of cash collected, allowing employees to collect cash particularly in an instance where the defendant cannot be forced to pay creates an environment in which intentional or unintentional errors could occur and not be detected in a timely manner by management. We believe that improvement is needed in this area to reduce the possibility of errors and to provide stronger internal controls over cash receipts.

Recommendation:

We recommend that the Indigent Defender Board consider changing its policy to prohibit accepting cash for payment of application fees and require defendants to pay their fee with money orders instead.

Management's Response:

As stated in Management's Corrective Action Plan, management will work to find an alternative to accepting cash for payment of application fees.

03-6 – Operating Deficit

Condition:

During our audit and review of expenditures, we noted that the Indigent Defender Board had a current year deficit of \$94,726 which reduced the accumulated surplus to \$69,524. In our opinion, this is an unreasonably low level of accumulated surplus for an entity with a budget in excess of \$1,000,000. A reduction in the accumulated surplus to this level creates an environment in which current operations of the office could be severely impacted if there is a drop in revenues or an increase in expenditures.

Recommendation:

We recommend the Chief Public Defender meet with the outside accountant on a monthly basis to monitor the budget to ensure that the fiscal integrity of the office is maintained.

Management's Response:

As stated in Management's Corrective Action Plan, the Chief Public Defender will meet monthly with the outside accountant to monitor and review the annual budget to ensure that the accumulated surplus is not reduced further.

Corrective Action Plan for Current Year Audit Findings

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Corrective Action Plan for Current Year Audit Findings

For the Year Ended December 31, 2003

<u>Ref.#</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>Compliance</u>				
03-01	Violation of State Budget Laws	Follow all applicable laws related to budgets and budget adoption	Reginald McIntyre	December 31, 2004
03-02	Employee Payroll Advances	Standardize payroll period and prohibit payment of salaries in advance of the pay period	Reginald McIntyre	December 31, 2004
<u>Internal Control</u>				
03-03	Usgae of Signature Stamp	Discontinue the use of signature stamps	Reginald McIntyre	December 31, 2004
03-04	Lack of Approval of Invoices	Approval all invoices and travel reimbursement requests	Reginald McIntyre	December 31, 2004
03-05	Accepting Cash Payments	Consider changing policy regarding collection of application fees in cash	Mary Hughes	December 31, 2004
03-06	Decline in Accumualted Surplus	Meet with outside accountant to monitor budget and accumulated surplus	Reginald McIntyre	December 31, 2004

Note: This schedule has been prepared by the management of the Twenty-First Judicial District Court Indigent Defender Board.

Summary Schedule of Prior Audit Findings

Twenty-First Judicial District Court Indigent Defender Board
Amite, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2003

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action	Partial Corrective Action Taken
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None

Note: This schedule has been prepared by the management of the Twenty-First Judicial District Court Indigent Defender Board.