

**FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana**

**Financial Statements  
With Independent Auditors' Report  
As of and for the Year Ended June 30, 2003  
With Supplemental Information Schedules**

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.

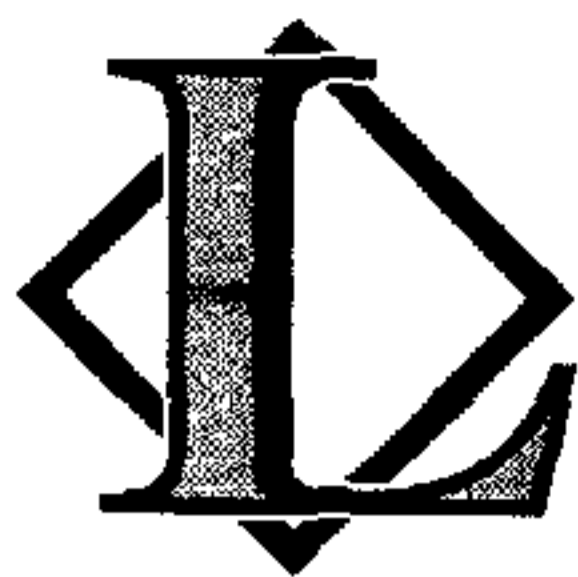
Release Date 2.4.07

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

Financial Statements  
With Independent Auditors' Report  
As of and for the Year Ended June 30, 2003  
With Supplemental Information Schedules

C O N T E N T S

	<u>Statement</u>	<u>Page No.</u>
<b>Independent Auditors' Report</b>		2
<b>Financial Statements:</b>		
Statement of Financial Position	A	4
Statement of Activities	B	5
Statement of Functional Expenses	C	6
Statement of Cash Flows	D	7
Notes to the Financial Statements		8
	<u>Schedule</u>	<u>Page No.</u>
<b>Independent Auditors' Reports Required by     <i>Government Auditing Standards:</i></b>		
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		12
Schedule of Findings and Questioned Costs	1	14
Summary Schedule of Prior Audit Findings	2	15
Management's Corrective Action Plan		16



# LITTLE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Wm. TODD LITTLE, CPA  
CHARLES R. MARCHBANKS, JR., CPA

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

We have audited the accompanying statement of financial position of the Fifth Judicial District Drug Court Inc., as of June 30, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Fifth Judicial District Drug Court, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fifth Judicial District Drug Court Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2003, on the Fifth Judicial District Drug Court Inc's compliance with laws, regulations, contracts and grants, and our consideration of the agency's internal control over financial reporting. 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.

*Little & Associates*

Monroe, Louisiana  
December 22, 2003

**FINANCIAL STATEMENTS**

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

Statement of Financial Position  
June 30, 2003

**ASSETS**

Restricted grant receivable	\$14,257
Office furnishings and equipment (net)	<u>14,216</u>

**TOTAL ASSETS**\$28,472**LIABILITIES AND NET ASSETS**

Cash Overdraft	\$2,498
Liabilities -	
Accounts payable	859
Taxes, Penalty and Interest Payable	<u>7,136</u>
Total Liabilities	10,493

## Net Assets:

Unrestricted	13,659
Temporarily Restricted	<u>4,320</u>
Total Net Assets	<u>17,979</u>

**TOTAL LIABILITIES AND NET ASSETS**\$28,472

The accompanying notes are an integral part of this statement.

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

Statement of Activities  
For the Year Ended June 30, 2003

<b>UNRESTRICTED NET ASSETS</b>	
Unrestricted revenues - other	\$1,129
Net assets released from restrictions - restrictions satisfied by payments	<u>122,222</u>
Total unrestricted revenues	<u>123,351</u>
Expenses	
Program services -	
Reduction of alcohol and drug abuse	<u>122,222</u>
Total Expenses	<u>122,222</u>
Increase in Unrestricted Net Assets	<u>1,129</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	
Grants:	
Federal	117,106
Net assets released from restriction	<u>(122,222)</u>
Decrease in Temporarily Restricted Net Assets	<u>(5,116)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(3,987)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	
As previously reported	31,341
Adjustment for unpaid income taxes (Note 5)	<u>(9,375)</u>
Net Assets at Beginning of Year - Restated	<u>21,966</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$17,979</u></u>

The accompanying notes are an integral part of this statement.

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

Statement of Functional Expenses  
For the Year Ended June 30, 2003

**PROGRAM SERVICES**

Personal services	\$16,000
Operating services	59,202
Materials and supplies	18,044
Travel and other charges	20,577
Miscellaneous Expenses	4,746
Depreciation	<u>3,653</u>
Total Functional Expenses	<u>\$122,222</u>

The accompanying notes are an integral part of this statement.

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

Statement of Cash Flows  
For the Year Ended June 30, 2003

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	(\$3,987)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	3,653
Increase (Decrease) in grant funds receivable	(14,257)
Increase in accounts payable	58
Increase (Decrease) in fixed Assets	<u>(15,382)</u>
Net Cash Used by Operating Activities	<u>(29,915)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(29,915)
<b>CASH AT BEGINNING OF YEAR</b>	<u>27,417</u>
<b>CASH AT END OF YEAR</b>	<u><u>(\$2,498)</u></u>

The accompanying notes are an integral part of this statement.



**FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana**

**Notes to the Financial Statements  
As of and for the Year Ended June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fifth Judicial District Drug Court, Inc (the Drug Court)., is a nonprofit organization pursuant to articles of incorporation filed pursuant to LA R.S. 12:201 - 12:269 (1950 as amended), whose purpose is to implement a drug court program that will reduce crime rates, reduce recidivism, alleviate continued drug abuse, assist drug abusers in rehabilitating their lives and building a drug free future in a cost effective manner that will ultimately reduce jail overcrowding and crime, thereby reducing costs to governmental entities responsible for law enforcement. The organization is governed by a three member board and serves the parishes of West Carroll, Richland and Franklin.

**A. BASIS OF ACCOUNTING**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Under Statement of Financial Accounting Statement No. 117, the Drug Court is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**B. CONTRIBUTIONS**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Federal financial assistance received through the Louisiana Supreme Court, is considered temporarily restricted net assets because, in accordance with the grant agreement, it can only be expended for specified purposes. When expenditures are made for those specified purposes the grant funds are no longer restricted and are transferred to unrestricted net assets.

**C. SUPPORT AND REVENUE**

The Fifth Judicial District Drug Court, Inc. receives the majority of its support and revenue under federal/state grant agreements. In order to receive funding, the organization must comply with the contract provisions.

**D. ESTIMATES**

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

**E. FURNITURE AND EQUIPMENT**

Furniture and equipment of the organization are capitalized in accordance with the West Carroll Policy Jury's policy. However, title to the assets, which are purchased with resources from state and federal grants, reverts to the grantors should the contract be terminated.

Furniture and equipment are depreciated over an estimated useful life of three years, using the straight line method of depreciation. The Drug Court had fixed asset acquisitions in the amount of \$15,382.00 during the year ended June 30, 2003. The following shows fixed assets and accumulated depreciation at June 30, 2003.

<u>Class of Asset</u>	
Computers and related	\$17,454
Office furnishings and equipment	<u>8,510</u>
Total assets	25,964
Less accumulated depreciation	<u>(11,748)</u>
Net assets	<u>\$14,216</u>

**F. INCOME TAX STATUS**

As previously stated, the Fifth Judicial District Drug Court, Inc. is incorporated as a non-profit organization in accordance with Louisiana Revised Statutes (LSA-RS) 12:201-269. The corporation has applied to the Internal Revenue Service for treatment under Internal Revenue Code Section 501(c)(3). Accordingly, federal and state tax liabilities have been recorded in accordance with tax tables in effect for corporations.

**G. UNCOLLECTIBLE ALLOWANCE**

The statements contain no provision for uncollectible accounts. All amounts due from grantor are considered fully collectible.

#### **H. RENT EXPENSE**

The Drug Court rents office space pursuant to an operating lease. The lease is month-to-month and can be canceled by either party after providing a thirty-day notice. Rent expense for the year ended June 30, 2003 was \$5,400.

#### **2. CASH**

At June 30, 2003, Fifth Judicial District Drug Court, Inc., had cash (book balances) totaling (\$2,498) in a sole demand account. For the purposes of the statement of cash flows, this is the only component of cash. Cash (bank balances) are fully secured by federal deposit insurance.

#### **3. GRANT FUNDING**

For the year ended June 30, 2003, the agency received funding of \$117,106 from the United States Department of Health and Human Services passed through the Louisiana Supreme Court.

#### **4. LITIGATION AND CLAIMS**

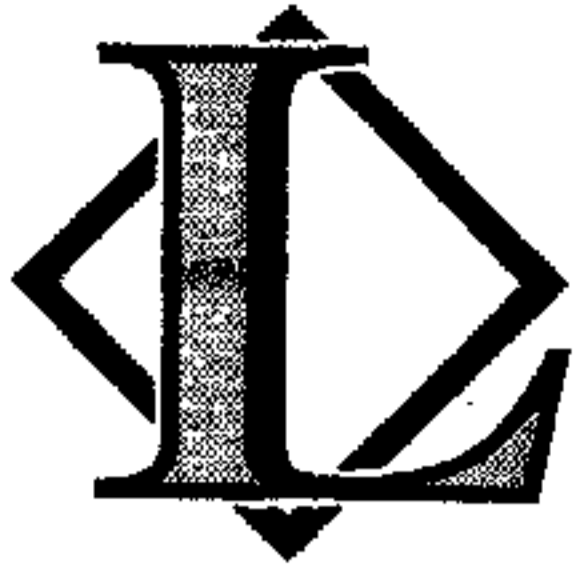
Fifth Judicial District Drug Court, Inc., is not involved in any litigation at June 30, 2003, nor is it aware of any unasserted claims.

#### **5. PRIOR PERIOD ADJUSTMENT**

Since the Drug Court has not filed for exempt status under Internal Revenue Code Section 501(c)(3), the liability for federal and state income taxes reverts to the beginning of its operations. These amounts are expected to be liquidated from unrestricted net assets.

**Independent Auditors' Report Required  
by *Government Auditing Standards***

The following Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report on Compliance and on  
Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Wm. TODD LITTLE, CPA  
CHARLES R. MARCHBANKS, JR., CPA

FIFTH JUDICIAL DISTRICT  
DRUG COURT, INC.  
Oak Grove, Louisiana

We have audited the financial statements of Fifth Judicial District Drug Court Inc., as of and for the year ended June 30, 2003 and have issued our report thereon dated December 22, 2003. We conducted our audit in accordance with U.S. 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 Fifth Judicial District Drug Court Inc.'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 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 one instance of noncompliance required to be reported under *Government Auditing Standards* and is included in the accompanying schedule of findings and questioned costs as Finding 03-01.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fifth Judicial District Drug Court Inc.'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted one matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

FIFTH JUDICIAL DISTRICT DRUG COURT, INC.

Oak Grove, Louisiana

Independent Auditors' Report on Compliance and

Internal Control Over Financial Reporting, etc.

June 30, 2003

This report is intended solely for the information and use of the members of the Fifth Judicial District Drug Court, management of the Drug Court, the Louisiana Legislative Auditor, 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.

*Little + Associates*

Monroe, Louisiana

December 22, 2003

FIFTH JUDICIAL DISTRICT DRUG COURT, INC.  
Oak Grove, Louisiana

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2003

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Fifth Judicial District Drug Court, Inc.
2. One instance of noncompliance material to the financial statements of Fifth Judicial District Drug Court, Inc. was disclosed during the audit.
3. No reportable conditions relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**03-01 Failure to File Tax Returns**

*Finding:*

The Fifth District Drug Court did not file appropriate tax returns. The drug court had intended to file Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. Because management did not follow up on action, the application did not get completed and filed. Consequently, the drug court became liable for federal and state income taxes retroactively. Also, because the tax returns were not filed in anticipation of approval of the exemption, interest and penalty also accrued on the tax liability.

*Recommendation:*

We recommend that the Drug Court utilize the services of someone knowledgeable in these tax matters and file for tax exempt status as soon as possible. We further recommend that the Drug Court file all required tax returns as soon as possible.

FIFTH JUDICIAL DISTRICT DRUG COURT, INC.  
Oak Grove, Louisiana

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2003

The following provides information on the status of findings presented in the audit report for the year ended June 30, 2002

**02-01 Failure to File Tax Returns**

*Finding:*

The Fifth District Drug Court did not file appropriate tax returns. The drug court had intended to file Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. Because management did not follow up on action, the application did not get completed and filed. Consequently, the drug court became liable for federal and state income taxes retroactively. Also, because the tax returns were not filed in anticipation of approval of the exemption, interest and penalty also accrued on the tax liability.

*Current Status:*

The agency filed for tax exempt status in November, 2003.





GLEN W. STRONG  
JUDGE DIVISION A

# Fifth District Drug Court, Inc.

STATE OF LOUISIANA  
PARISHES OF RICHLAND, FRANKLIN, AND WEST CARROLL

WEST CARROLL PARISH COURTHOUSE BLDG.  
P.O. BOX 1208  
OAK GROVE, LA. 71263

Telephone: (318) 428-4284  
Fax: (318) 428-8265

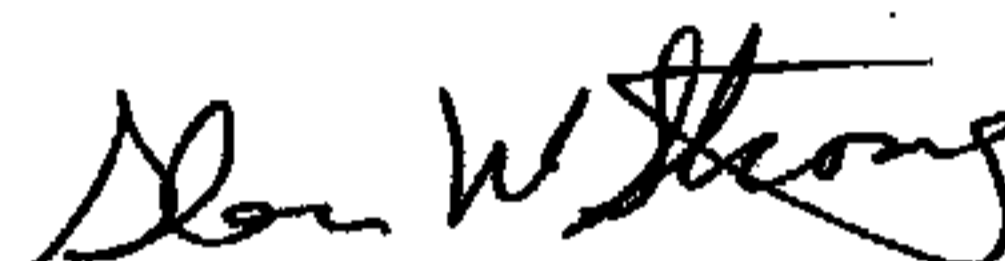
December 22, 2003

TO WHOM IT MAY CONCERN

Re: Finding - Failure To File Tax Returns

The Fifth District Drug Court filed the application for exemption November, 2003.  
We are waiting for further instructions from the Internal Revenue Service.

Very truly yours,

  
Glen W. Strong

GWS/sbj