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JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT  
FOR THE PARISH OF ORLEANS

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1995

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.

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JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 1995

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INDEPENDENT AUDITOR'S REPORT

The Honorable Judges of the  
Civil District Court, First City Court  
and Second City Court  
Parish of Orleans, Louisiana  
New Orleans, Louisiana

We have audited the general purpose financial statements of the Judicial Expense Fund of the Civil District Court for the Parish of Orleans as of December 31, 1995, and for the year then ended. These general purpose financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Judicial Expense Fund of the Civil District Court for the Parish of Orleans as of December 31, 1995, and the results of its operations and its changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

*Bain, Freibaum, Sagona & Co.*

Certified Public Accountants

May 24, 1996

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

COMBINED BALANCE SHEET

DECEMBER 31, 1995

	<u>Governmental</u> <u>Fund Type</u>	<u>Account</u>	<u>Groups</u>	<u>Totals</u>
	<u>General</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>Long-term</u> <u>Liability</u>	<u>(Memorandum</u> <u>Only)</u>
<b><u>ASSETS</u></b>				
Cash	\$1,318,584	\$	\$	\$1,318,584
Accrued interest receivable	289,667			289,667
Other receivables	33,792			33,792
Property, plant and equipment		3,416,871		3,416,871
Amount to be provided for long-term liability	_____	_____	<u>277,519</u>	<u>277,519</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,642,043</u></b>	<b><u>\$3,416,871</u></b>	<b><u>\$ 277,519</u></b>	<b><u>\$5,336,433</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities:				
Accounts payable	\$396,170	\$	\$	\$ 396,170
Accrued accumulated compensated absences			202,372	202,372
Long-term liability	_____	_____	<u>75,147</u>	<u>75,147</u>
<b>TOTAL LIABILITIES</b>	<b><u>396,170</u></b>	<b>_____</b>	<b><u>277,519</u></b>	<b><u>673,689</u></b>
Fund equity:				
Fund balance	1,245,873			1,245,873
Investment in general fixed assets	_____	<u>3,416,871</u>	_____	<u>3,416,871</u>
<b>TOTAL FUND EQUITY</b>	<b><u>1,245,873</u></b>	<b><u>3,416,871</u></b>	<b>_____</b>	<b><u>4,662,744</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$1,642,043</u></b>	<b><u>\$3,416,871</u></b>	<b><u>\$ 277,519</u></b>	<b><u>\$5,336,433</u></b>

See accompanying notes to financial statements.

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 1995

	<u>Civil District Court</u>	<u>First City Court</u>	<u>Second City Court</u>	<u>Mortgage Office</u>	<u>Conveyance Office</u>	<u>Total General Fund</u>
REVENUES:						
Fees	\$5,142,528	1,757,203	\$ 134,979	\$2,172,543	\$1,040,386	\$10,247,639
Interest	335,839	13,771	810	12,961	7,291	370,672
Other income	2,848	-	-	-	-	2,848
	<u>5,481,215</u>	<u>1,770,974</u>	<u>135,789</u>	<u>2,185,504</u>	<u>1,047,677</u>	<u>10,621,159</u>
EXPENSES:						
DIRECT EXPENSES:						
Salaries and fees:						
Salaries	4,315,867	1,209,831	263,335	991,785	728,981	7,509,799
Court stenographer fees	22,986	-	-	-	-	22,986
	<u>4,338,853</u>	<u>1,209,831</u>	<u>263,335</u>	<u>991,785</u>	<u>728,981</u>	<u>7,532,785</u>
Other expenses:						
Accounting and auditing	8,221	2,397	141	2,256	1,269	14,284
Employee benefits	753,265	206,664	45,580	263,651	187,996	1,457,156
Office supplies	172,081	18,271	3,672	20,783	11,110	225,917
Books, printing and copier	137,270	27,617	5,147	37,408	21,521	228,963
Postage	48,239	5,391	535	3,566	318	58,049
Furniture, equipment rental and maintenance	233,245	27,274	4,918	46,824	20,204	332,465
Insurance	121,813	5,097	3,858	16,464	8,706	155,938
Telephone	75,709	10,019	(48)	11,204	5,330	102,214
Professional services	50,276	2,410	(658)	68,097	1,276	121,401
Jurors' pay and transportation	52,663	-	-	-	-	52,663
	<u>1,652,782</u>	<u>305,140</u>	<u>63,145</u>	<u>470,253</u>	<u>257,730</u>	<u>2,749,050</u>
TOTAL DIRECT EXPENSES	<u>5,991,635</u>	<u>1,514,971</u>	<u>326,480</u>	<u>1,462,038</u>	<u>986,711</u>	<u>10,281,835</u>
INDIRECT EXPENSES:						
Accounting and custodial salaries	223,089	66,535	3,914	62,622	35,225	391,385
Security expense	28,671	8,551	503	8,048	4,527	50,300
Capital expenditures	167,915	10,157	1,499	140,077	60,159	379,807
Division expense	170,611	44,455	16,876	5,179	7,249	244,370
Building renovations & improvements	204,740	-	6,394	-	-	211,134
	<u>795,026</u>	<u>129,698</u>	<u>29,186</u>	<u>215,926</u>	<u>107,160</u>	<u>1,276,996</u>
TOTAL INDIRECT EXPENSES	<u>795,026</u>	<u>129,698</u>	<u>29,186</u>	<u>215,926</u>	<u>107,160</u>	<u>1,276,996</u>
TOTAL EXPENSES	<u>6,786,661</u>	<u>1,644,669</u>	<u>355,666</u>	<u>1,677,964</u>	<u>1,093,871</u>	<u>11,558,831</u>
EXCESS(DEFICIENCY) OF REVENUE	<u>\$(1,305,446)</u>	<u>\$ 126,305</u>	<u>\$(219,877)</u>	<u>\$ 507,540</u>	<u>\$ (46,194)</u>	<u>(937,672)</u>
Fund balance beginning of year						<u>2,183,545</u>
Fund balance end of year						<u>\$ 1,245,873</u>

See accompanying notes to financial statements.

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

A. SUMMARY OF ACCOUNTING POLICIES

The Judicial Expense Fund of the Civil District Court for the parish of Orleans (Fund) is designated by LSA-R.S. 13:1312 as the managing entity for fiscal operations of the Civil District Court for the parish of Orleans, the First and the Second City Courts of the city of New Orleans, and the offices of the Register of Conveyances and the Recorder of Mortgages for the parish of Orleans.

The judges of the Civil District Court for the parish of Orleans and the judges of the First and the Second City Courts of the city of New Orleans, sitting en banc, as set forth in LSA-R.S. 13:1312, have sole management responsibility and oversight for the Fund. This responsibility and oversight includes control over all revenues deposited into the Fund by the aforementioned courts and offices, all disbursements made by the Fund, the setting of all fees charged by the courts and offices comprising the Fund and the determination of expenses related to the operations of such courts and offices.

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

1. The Financial Reporting Entity

Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, (GASB 14) establishes standards for defining and reporting on the financial entity. GASB 14 indicates the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate, and c) is fiscally independent of other state and local governments.

As discussed previously, state statute establishes the Fund as a separate, legal entity with a governing body which is separate and independent of any other governmental "reporting entity", as defined by GASB 14. In addition, the Fund is financially independent of other governments (although the Fund conducts its business from a building provided by the City of New Orleans, as discussed in Note B, this support is considered incidental in relation to the Fund's total revenues and expenditures and in view of the additions and improvements made to this building by the Fund from its operating revenues over the term of its occupancy and which total in excess of \$2,005,000).

Accordingly, management has concluded that the Fund is the financial reporting entity within the meaning of the provisions of GASB 14.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

A. SUMMARY OF ACCOUNTING POLICIES (Continued)

2. Fund Accounting

The accounts of the Fund are organized on the basis of the general fund or account groups.

The operations of the general fund are comprised of the general fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as related to the fiscal operations of the Civil District Court, the First City Court, the Second City Court, the Office of Register of Conveyances and the Office of Recorder of Mortgages.

Salaries of the judges of the Civil District Court which are paid directly by the Supreme Court of Louisiana are not included in the financial statements presented herein, since such salaries are earned by the respective judges for serving in their capacities as state judges and not for compensation in their roles as management of the Fund.

Additionally, the Fund has no authority in the determination of these salary amounts or the duties of these individuals in their capacities as state judges. For the same reasons, certain expenses incurred by these judges and paid directly by the Supreme Court of Louisiana are likewise excluded from these financial statements. The general fund is used to account for all financial resources of the Fund.

The general fixed assets account group and the long-term liability account group are not "funds". They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

3. Property, Plant and Equipment

The accounting and reporting treatment applied to property, plant and equipment associated with the general fund is determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period. Therefore, acquisitions of capital assets are expensed in the period purchased.

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the general fund. No depreciation has been provided on such property, plant and equipment.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

A. SUMMARY OF ACCOUNTING POLICIES (Continued)

3. Property, Plant and Equipment (Continued)

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Fund uses the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Expenses are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

5. Budgets and Budgetary Accounting

A budget was not adopted for the year ended December 31, 1995 since management is of the opinion that the Fund is not required to do so. Accordingly, no statement of revenues, expenditures and changes in fund balance - budget and actual is included in the financial statements presented herein.

6. Cash and Investments

At year-end the carrying amount of the Fund's deposits in bank accounts (collected bank balance) was \$1,857,629. Of these amounts, \$100,000 was covered by federal depository insurance and the remainder collateralized by a pledge of securities owned by the depository bank, but held in safekeeping by other financial institutions.

7. Accumulated Compensated Absences

It is the Fund's policy to permit employees to accumulate a limited amount of earned but unused leave. The unused leave may be carried forward from year to year, but is not payable upon separation from service. The accrued accumulated leave which had been earned but unused by employees of the Fund at year-end has been included in the long term liability account group in the accompanying financial statements as of December 31, 1995.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

A. SUMMARY OF ACCOUNTING POLICIES (Continued)

8. Division Expenses

It is the Fund's policy to limit expenditures by each division of the Court for additional operating expenses that are not paid directly by the general fund. Such expenditures may be made at the discretion of each presiding divisional judge in accordance with specific guidelines established by the Fund as to the purposes for which these expenditures may be used and only for such expenditures supported by proper documentation.

The specific guidelines established by the Fund permit use of such amounts for expenditures, directly associated or incidental to legal or judicial matters and functions, of the following nature:

Travel, lodging, meals, conference fees, professional fees, dues, publications, purchase or leasing of equipment (exclusive of vehicles), maintenance of equipment and furnishings, remodeling of offices and hiring of additional employees.

Currently, such expenditures are limited to \$1,250 per month which may accumulate up to a maximum of \$10,000 per division, if not used.

Such expenditures are included as division expenses in the operating expenses of the accompanying financial statements of the Fund and amounted to \$214,201 for the year ended December 31, 1995. The portion of these allowances which were unused at year-end and included in the general fund balance amounted to \$143,734 at December 31, 1995.

9. Pension Plans

The Fund does not maintain a separate pension plan for its employees. However, its employees are eligible to participate in various multiple-employer (cost-sharing), defined benefit plans provided by the state or city governments, and substantially all of the Fund's employees are covered by one of the available plans.

Generally, eligibility to participate in one of the plans commences with employment and in some instances, is subject to certain age and earning requirements.

Vesting of full benefits is subject to various years of required service, generally ranging from 12 to 30 years, and, in some instances, may require attainment of a minimum age.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

A. SUMMARY OF ACCOUNTING POLICIES (Continued)

9. Pension Plans (Continued)

Annual retirement benefits under the plans are generally stipulated as a percentage of a participant's defined annual compensation for each year of service. In certain instances that resulting amount may be increased by a fixed amount. In most cases annual retirement benefits may not exceed 100% of the participant's defined annual compensation.

Under the terms of the various plans, employees contribute a specified percentage of their gross earnings and the Fund also contributes a specified percentage.

Those plans in which the employees of the Fund participate and the specified contribution percentages are as follows:

	<u>Employee</u>	<u>Employer</u>
Louisiana State Employees Retirement System (LSERS)	11.50%	12.00%
Louisiana Clerk's Retirement and Relief Fund (LCRRF)	8.25%	11.50%
Sheriff's Pension and Relief Fund State of Louisiana (SPRFSL)	8.70%	6.00%
Employee's Retirement System of the City of New Orleans (ERSCNO)	4.00%	14.26%

The amounts of the most recently actuarially determined employer contribution as a percentage of covered compensation for each plan amounted to:

LSERS	12.18%
LCRRF	10.97%
SPRFSL	10.37%
ERSCNO	13.81%

Benefits granted by the retirement systems are guaranteed by the State of Louisiana or the City of New Orleans, as applicable. The Fund does not guarantee the benefits granted by the retirement systems.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

A. SUMMARY OF ACCOUNTING POLICIES (Continued)

9. Pension Plans (Continued)

The total payroll of the Fund for 1995 amounted to \$7,532,785. The Fund's contributions to the retirement system and the total covered payrolls by each retirement system are as follows:

	<u>LSERS</u>	<u>LCRRF</u>	<u>SPRFSL</u>	<u>ERSCNO</u>	<u>TOTAL</u>
Total covered payroll	\$178,566	\$4,840,690	\$391,915	\$1,765,240	\$7,176,411
Employer contribution	\$ 23,035	\$ 525,195	\$ 21,569	\$ 251,635	\$ 821,434
Aggregate pension cost	\$ 43,338	\$ 919,633	\$ 52,323	\$ 318,198	\$1,333,492

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rated benefits, estimated to be payable in the future as a result of employee service to date.

Most recent historical trend information showing each plan's progress in accumulating sufficient assets to pay benefits when due is presented in each plan's annual financial report.

	<u>LSERS</u>	<u>LCRRF</u>	<u>SPRFSL</u>	<u>ERSCNO</u>
	(in thousands)			
Net assets	\$ 3,589,502	\$ 89,263	\$ 399,292	\$180,625
Pension benefit obligation	<u>(5,696,909)</u>	<u>(166,770)</u>	<u>(470,492)</u>	<u>(185,685)</u>
Unfunded pension benefit obligation	<u>\$(2,107,407)</u>	<u>\$(77,507)</u>	<u>\$(71,200)</u>	<u>\$(5,060)</u>

10. Total Columns on Combined Balance Sheet

The total column on the Combined Balance Sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995  
(Continued)

B. GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in the general fixed assets account group (Note A3).

	Balance January 1, <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1995</u>
Furniture and fixtures	\$1,567,295	\$250,814	\$ -	\$1,818,109
Data processing equipment	<u>1,386,370</u>	<u>212,392</u>	<u>-</u>	<u>1,598,762</u>
	<u>\$2,953,665</u>	<u>\$463,206</u>	<u>\$ -</u>	<u>\$3,416,871</u>

The 1995 additions to the fixed assets account group have been included in capital expenditures and division expenses in the accompanying statement of revenues, expenses and changes in fund balance for the year ended December 31, 1995 at cost.

The building which the Fund occupies and uses to conduct its operations is owned by the City of New Orleans. Although the Fund does not pay rent to the City, the Fund has made additions and improvements to the building during its term of occupancy.

These additions and improvements are not included in the general fixed assets account group since the Fund does not own the building. Such building additions and improvements funded from operations of the Fund over its term of occupancy aggregate approximately \$2,005,441. Building additions and improvements made for the year ended December 31, 1995, amounted to \$211,134 and are included in the accompanying financial statements of the Fund.

C. OTHER LONG-TERM LIABILITY

The Fund is required by law to make monthly payments to widows of two former, city court judges. The payments are to continue for the remaining lives of the widows. The annual amount of the payments total \$8,389 and are reflected as operating expenses in the accompanying financial statements of the Fund.

Although the liability for these future payments does not represent a decrease in net current assets of the Fund, and, therefore, is not a current liability of the general fund, the Fund is legally required to continue these payments.

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

(Continued)

C. OTHER LONG-TERM LIABILITY (continued)

Accordingly, the Fund has included the gross monthly payments calculated over the estimated remaining lives of the recipients in the long-term liability account group which reflects the Fund's liability for funding these payments from future operations.

D. REGISTRY OF COURT FUNDS

The Civil District Court, First City Court and Second City Court each maintain registry of court funds.

Parties to litigation in these courts may deposit, or be ordered to deposit, cash or property into these funds in connection with the related litigation. Cash or property so deposited is the property of the litigants and is to be returned or disbursed to them or such other parties as the court may direct upon the conclusion of the litigation.

Each court has responsibility solely for its own registry of court funds. The management of the Judicial Expense Fund has no responsibility or authority with respect to these specific funds.

The Clerk of Civil District Court, the Clerk of First City Court and the Clerk of Second City Court is the custodian of the registry of Court funds for each respective court. The clerk generally may only accept deposits into or disburse funds from the registry of court funds by order of the respective court.

These funds are subject to an annual audit by independent auditors who issue a separate report thereon.

With respect to the registry of court fund of Civil District Court, state statutes authorize the investment of these funds in interest-bearing accounts. The statutes provide that one-half of the interest earned shall be credited to the litigants' deposits and one-half shall be remitted to the Judicial Expense Fund as reimbursement of administrative costs associated with the registry of Court fund.

Interest earned and due to the Judicial Expense Fund for 1995 amounted to \$289,667 and is included in the accompanying financial statements of the Judicial Expense Fund.

(Continued)

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT FOR  
THE PARISH OF ORLEANS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995  
(Continued)

E. CONTINGENCIES

Certain of the offices within the Fund are defendants in various lawsuits which primarily allege improper handling of documents filed with those offices. Although potential liability for some of these claims is limited to the insurance policy deductible for each incident, a number of the claims arose in an office which was unable to secure insurance coverage, and, accordingly, such claims are not covered by insurance. Although the outcome of these matters cannot be determined, the Fund's potential liability, if unsuccessful in defending these claims, approximates \$142,000.

F. INSURANCE COVERAGE

At December 31, 1995, all offices of the Fund were operating with insurance coverage for errors and omissions.

G. COMMITMENTS

Although the Fund has not yet signed a contract, the Court En Banc has directed the dedication of approximately \$1,900,000 from the general fund for laser disc computer imaging of the records of Civil District Court and First City Court.

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT  
FOR THE PARISH OF ORLEANS

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REPORT ON INTERNAL ACCOUNTING CONTROL  
YEAR ENDED DECEMBER 31, 1995



**Bain, Freibaum, Sagona & Co., L.L.P.**  
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May 24, 1996

The Honorable Judges of the  
Civil District Court, First City Court  
and Second City Court  
Parish of Orleans, Louisiana  
New Orleans, Louisiana

Honorable Judges:

We have audited the general purpose financial statements of the Judicial Expense Fund of the Civil District Court for the Parish of Orleans (Fund) as of and for the year ended December 31, 1995, and have issued our report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of the Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Fund, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The Honorable Judges of the  
Civil District Court, First City Court  
and Second City Court  
May 24, 1996  
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Fund in a separate letter dated May 24, 1996.

This report is intended for the information of management and the legislative auditor. This restriction is not intended to limit the distribution of this report as may be required by public law.

*Brown, MacLennan, Kagan & Co.*  
Certified Public Accountants

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT  
FOR THE PARISH OF ORLEANS

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REPORT ON COMPLIANCE  
YEAR ENDED DECEMBER 31, 1995



**Bain, Freibaum, Sagona & Co., L.L.P.**  
*Certified Public Accountants and Consultants*

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Gus Freibaum, Jr., CPA\*  
Elliott M. Bain, CPA\*  
Nick O. Sagona, Jr., CPA\*  
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MEMBER  
American Institute of CPAs  
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Private Companies Practice Section  
of the AICPA Division for CPA Firms  
Accounting Group International  
(Associates in Principle Cities)

May 24, 1996

The Honorable Judges of the  
Civil District Court,  
First City Court and Second City Court  
Parish of Orleans, Louisiana  
New Orleans, Louisiana

Honorable Judges:

We have audited the general purpose financial statements of the Judicial Expense Fund of the Civil District Court for the Parish of Orleans (Fund) as of and for the year ended December 31, 1995, and have issued our report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations and contracts, applicable to the Fund, is the responsibility of management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the legislative auditor. This restriction is not intended to limit the distribution of this report as may be required by public law.

*Bain, Freibaum, Sagona & Co.*  
Certified Public Accountants

JUDICIAL EXPENSE FUND  
OF THE CIVIL DISTRICT COURT  
FOR THE PARISH OF ORLEANS

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MANAGEMENT LETTER  
YEAR ENDED DECEMBER 31, 1995



**Bain, Freibaum, Sagona & Co., L.L.P.**  
*Certified Public Accountants and Consultants*

Gus Freibaum, Jr., CPA\*  
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(Associates in Principle Cities)

May 24, 1996

The Honorable Judges of the  
Civil District Court, First City  
Court and Second City Court  
Parish of Orleans  
New Orleans, Louisiana

MANAGEMENT LETTER

Honorable Judges:

In planning and performing our audit of the financial statements of the Judicial Expense Fund of the Civil District Court for the Parish of Orleans (Fund) as of and for the year ended December 31, 1995, we considered the Fund's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for further strengthening internal controls and operating efficiency. We present such as a separate attachment to this letter and for your consideration. This letter does not affect our report dated May 24, 1996, on the general purpose financial statements of the Fund.

*Bain, Freibaum, Sagona & Co.*  
Certified Public Accountants

JUDICIAL EXPENSE FUND OF THE CIVIL DISTRICT COURT  
FOR THE PARISH OF ORLEANS  
MANAGEMENT LETTER ATTACHMENT  
YEAR ENDED DECEMBER 31, 1995

Business Office Coordinator

The business office of the Fund is the central focus of the Fund's financial, administrative and related operations. The six employees who currently staff the business office have responsibility for administering the policies and procedures which have been formulated and implemented by the Fund's management, the Court en Banc ("the Court"), for performing all duties related to the Fund's accounting function, and assisting the Court and the Chief Judge with certain administrative matters.

The individual employees of the business office each have been designated his or her own specific tasks and duties to perform. These various tasks and duties have been assigned in order to ensure all necessary matters relative to the Fund's business operations have been addressed. Although it appears such necessary tasks have been addressed, there does not appear to be anyone at present who serves as a coordinator of the overall efforts of those employees within the business office. This coordinator would determine that the practices followed by the business office remain in compliance with the policies and procedures approved by the Court, the operational efficiency of the business office is maintained at optimum levels and analytical and administrative assistance is provided to the Court and the Chief Judge as needed.

In terms of number of employees, revenues and expenditures and services rendered to its users, the Fund has grown to quite a large operation. Were the Fund a business enterprise, it would have reached the point where the introduction of such a business coordinator would be both prudent and desirable. Currently, the Chief Judge attempts to provide some guidance to the business office, but with the specific managerial and administrative duties incumbent upon the Chief Judge together with the responsibility for his or her full court docket, it is unlikely there is sufficient time in the Chief Judge's day to also function as coordinator of the business office.

We recommend the Court evaluate the hiring of a full time coordinator for the business office. We believe the duties of such a coordinator should include any tasks which the Court believes are of benefit to the business operations of the Fund, and suggest the following for consideration.

(Continued)

JUDICIAL EXPENSE FUND OF THE CIVIL DISTRICT COURT

FOR THE PARISH OF ORLEANS

MANAGEMENT LETTER ATTACHMENT

YEAR ENDED DECEMBER 31, 1995

(Continued)

Business Office Coordinator

(Continued)

Suggested Duties of a Business Office Coordinator

- I) Compliance with Policies and Procedures
  - A) Schedule, coordinate, supervise and monitor the duties of each staff member in the business office to ensure each individual is familiar with the policies and procedures associated with his or her specific duties and performs those duties in compliance with such policies and procedures. Over the years, the Court has implemented an internal control structure to safeguard the Fund's assets and reduce the risk of material loss to the Fund from undetected errors and/or irregularities. Determining personnel's compliance to these controls provides additional assurance that the internal control structure remains effective and increases the likelihood that if the internal control structure is circumvented such circumvention will be detected in a timely manner.
  - B) Implement a program of limited internal auditing. In addition to monitoring the business office personnel's compliance to policies and procedures, there are policies and procedures which the Court has implemented and which apply to the other employees and offices within the Fund.

Applying a modest program of internal audit to the critical areas of the other offices' operations affords additional assurance that established controls are being complied with throughout the Fund. The coordinator could assist the Chief Accountant with creating the program and monitor the Chief Accountant's performance of the internal audit procedures and his reporting of findings to the Court.

(Continued)