

*Financial Report*

*Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans*

*December 31, 2017*



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## **INTRODUCTORY SECTION**

# Judicial Expense Fund

320 Civil Courts Building  
421 Loyola Ave.  
New Orleans, LA 70112

(504) 407-0370

fax (504) 592-9279

June 11, 2018

## LETTER OF TRANSMITTAL

To the Chief Paulette R. Irons,  
The Judges En Banc of the Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans,  
The Supreme Court of the State of Louisiana,  
Citizens of the Parish of Orleans, and the State of Louisiana,  
New Orleans, Louisiana.

It is my privilege to present the Annual Financial Report on the financial condition of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans, also including First and Second City Courts, (the Judicial Expense Fund), for the year ended December 31, 2017. The report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), and is submitted in accordance with Louisiana Revised Statutes, Title 24, section 514.

The Judges *En Banc* of the Judicial Expense Fund are responsible for the accuracy, completeness and fair presentation of the data, representations, and disclosures presented in the report. To the best of my knowledge and belief, the data presented are accurate in all material respects, reported in a manner designed to fairly present the financial position and results of operations, and provide disclosures necessary to enable the reader to gain an understanding of the financial activities and condition of the Judicial Expense Fund.

GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is intended to complement Management's Discussion and Analysis, which begins immediately following the independent auditor's report, and should be read in conjunction with it.

## **Independent Audit**

These financial statements have been audited by the firm of Bourgeois Bennett, L.L.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Judicial Expense Fund for the year ended December 31, 2017 are fairly stated in accordance with GAAP. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The financial statements of the Judicial Expense Fund for the year ended December 31, 2017 are fairly presented in accordance with GAAP. The independent auditor's report is the first component of the financial section of this report.

## **Accounting Control**

Management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse and that adequate accounting data are compiled to provide for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that the internal accounting controls of the Judicial Expense Fund adequately safeguard assets and provide reasonable assurance of proper recording and reporting of financial transactions.

## **Profile of the Judicial Expense Fund**

The Louisiana State Constitution of 1879 created the Judicial Expense Fund, which includes a district court (Orleans Parish Civil District Court); two city courts (First City Court and Second City Court of New Orleans); and two city offices (the Recorder of Mortgages and the Register of Conveyances of New Orleans). Act 621 of the Louisiana Legislature was signed by the governor on June 23, 2006. As a result of this legislation, the composition of the fund has changed. Effective January 1, 2009, the Recorder of Mortgages and the Register of Conveyances became divisions of the Clerk of Civil District Court's Operations and are no longer a part of the Judicial Expense Fund. Management's Discussion and Analysis includes a description of the financial reporting entity, and Note 1 explains the significant accounting policies.

The Judicial Expense Fund has only one fund, a General Fund. Revenues are comprised primarily of filing fees paid by attorneys and litigants. The Judicial Expense Fund is completely self-funded and does not receive tax revenue of any type. At December 31, 2017, the Judicial Expense Fund did not have any debt, and a significant amount of the Fund Balance is unreserved.

As the Organizational Chart on page 6 shows, the fourteen judges of Civil District Court, the three judges of First City Court, and the judge of Second City Court form the Judges *En Banc*, which is charged with managing the Judicial Expense Fund in accordance with Louisiana Revised Statutes, Title 13, and Section 1312. The names of these principal officials can be found on page 5 following this letter. All eighteen judges are elected for six-year terms. The terms of all Civil District Court judges and First City Court judges, expire on December 31, 2020. The term of the Second City Court judge expires on December 31, 2019.

## **Budget**

The Judges *En Banc* at a public meeting on December 6, 2016, adopted a budget for the year ending December 31, 2017. The budget for the year ending December 31, 2017 was amended by the *Judges En Banc* at a public meeting on December 5, 2017. In accordance with Louisiana Revised Statutes, Title 39, section 1305 the budget is prepared by function and character. Management's Discussion and Analysis compares the budget with actual results and discusses the reasons for the major variances. The budget-to-actual financial statement appears as required supplemental information, which supplements the basic financial statements.

## **Capital Improvement Projects**

In 2016, a capital improvement project was implemented to improve the security of the Civil District Courthouse. This project was completed in 2017. Other capital improvement projects to replace the flooring in the court rooms and offices and to update computer equipment began in 2018.

## **Investments**

Currently, idle funds are invested in two money market accounts. Note 2 describes the risks associated with these invested funds.

## **Risk Management**

The Judges *En Banc* manage the Judicial Expense Fund's risks by purchasing commercial insurance policies, including coverage for general liability, property, crime, errors and omissions, professional liability, and workers compensation. Please see Note 12 for information on when liabilities are recorded in the financial statements.

## **Pensions**

As is described in detail in Note 9, employees of the Judicial Expense Fund participate in one of three multiple-employer defined benefit retirement plans, depending on the employee's job. In June, 2012 the GASB issued Statement Number 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*. The Judicial Expense Fund began implementing this statement in 2015. Note 9 contains additional pension information, including employer and employee contribution rates for 2017.

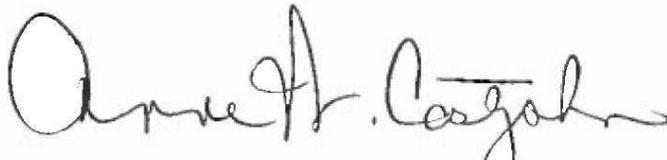
## Postemployment Benefits

In June, 2004 the GASB issued Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Judicial Expense Fund participates in the program of the Louisiana Office of Group Benefits. Note 8 provides greater detail about postemployment benefits.

## Acknowledgments

I express my appreciation to Traci Dias, Judicial Administrator, the Judges *En Banc*, Parochial Officials and their respective staff members for their support in preparing this report. I would also like to thank the staff of the Judicial Expense Fund for their hard work and contributions.

Sincerely,

A handwritten signature in cursive script that reads "Anne W. Castjohn". The signature is written in black ink and is positioned above the printed name and title.

Anne W. Castjohn, CPA, CGFM, MPA  
Chief Accountant

**PRINCIPAL OFFICIALS**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

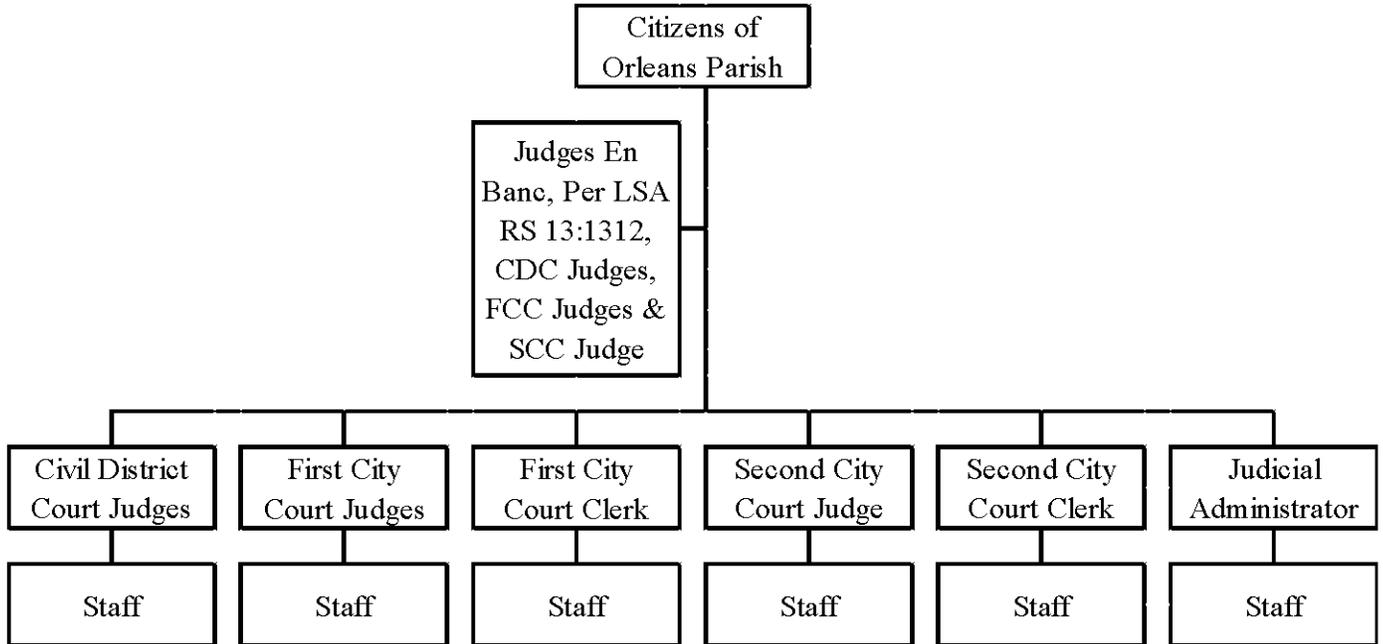
December 31, 2017

<u>Judge's Name</u>	<u>Court</u>	<u>Division</u>
<b>2017 Judges En Banc</b>		
Tiffany Chase	Civil District Court	A
Rachel D. Johnson	Civil District Court	B
Sidney H. Cates, IV	Civil District Court	C
Nakisha Ervin Knott	Civil District Court	D
Clare Jupiter	Civil District Court	E
Christopher Bruno	Civil District Court	F
Robin M. Giarrusso	Civil District Court	G
Monique Barial	Civil District Court	H
Piper D. Griffin	Civil District Court	I
D. Nicole Sheppard	Civil District Court	J
Bernadette D'Souza	Civil District Court	K
Kern A. Reese	Civil District Court	L
Paulette R. Irons	Civil District Court	M
Ethel Simms Julien	Civil District Court	N
Monique G. Morial	First City Court	Section A
Angelique A. Reed	First City Court	B
Veronica Henry	First City Court	C
E. "Teena" Anderson-Trahan	Second City Court	
<b>2017 Parochial Officials</b>		
Ellen M. Hazeur	Clerk of First City Court	
Darren Lombard	Clerk of Second City Court	

**ORGANIZATIONAL CHART**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans**  
New Orleans, Louisiana

December 31, 2017



**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Chief Paulette R. Irons,  
The Judges En Banc of the Judicial Expense Fund for the Civil District Court  
for the Parish of Orleans, The Supreme Court of the State of Louisiana,  
Citizens of the Parish of Orleans, and the State of Louisiana,  
New Orleans, Louisiana.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Judicial Expense Fund's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

We did not audit the Statement of Fiduciary Funds, Exhibit G, of the Clerk of First City Court for the Parish of Orleans and the Clerk of Second City Court for the Parish of Orleans as of December 31, 2016, whose fiscal operations pursuant to LSA-R.S. 13.1312, are managed by the Judicial Expense Fund and we did not audit the Statement of Fiduciary Funds, Exhibit H, for the Clerk of Civil District Court for the Parish of Orleans as of December 31, 2016. The Statement of Fiduciary Funds, Exhibit G, for the Clerk of First City Court for the Parish of Orleans reflects total assets of \$823,593 as of December 31, 2016. The Statement of Fiduciary Funds, Exhibit G, for the Second City Court for the Parish of Orleans reflects total assets of \$84,939 as of December 31, 2016. The Statement of Fiduciary Funds, Exhibit H, for the Clerk of Civil District Court for the Parish of Orleans reflects total assets of \$50,203,469 as of December 31, 2016. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Civil District Court for the Parish of Orleans, the Clerk of First City Court for the Parish of Orleans and the Clerk of Second City Court for the Parish of Orleans, are based solely on the report of the other auditors.

Our responsibility is to express an opinion on these 2017 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Qualified Opinion**

As more fully described in Note 5 to the financial statements, the financial statements for the Judicial Expense Fund do not include the Statement of Fiduciary Funds as of December 31, 2017 for Registry of the Court and Garnishment Funds for the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans. In our opinion, accounting principles generally accepted in the United States of America require that Statement of Fiduciary Fund include information about all fiduciary funds of the primary government. The Registry of the Court and Garnishment Funds for the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans were not included because those funds have been audited by other auditors and those 2017 reports have not been furnished to us as of the date of our report.

### **Qualified Opinion**

In our opinion, except for the omission of the Statement of Fiduciary Funds as of December 31, 2017 of the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City for the Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans as of December 31, 2017, and the respective change

in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 11 through 18, and the required supplementary information on pages 65 through 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Judicial Expense Fund's basis financial statements. The Introductory Section and Supplementary Information Section are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Supplementary Information Section, pages 71 through 74, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory Section on pages 1 through 6 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report, dated June 11, 2018, on our consideration of the Judicial Expense Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Judicial Expense Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bourgeois Bennett, L.L.C." The signature is written in black ink on a white background.

Certified Public Accountants.

New Orleans, Louisiana,  
June 11, 2018.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana**

December 31, 2017

### **Introduction to the Two Types of Financial Statements**

The Management's Discussion and Analysis of Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund ") financial performance presents a narrative overview and analysis of the Judicial Expense Fund's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the financial statements, which follow this section.

The Judicial Expense Fund has only one fund, the General Fund, and engages in judicial activities, a governmental activity of a special-purpose government. The fund financial statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance), show the financial position and results of operations using the current financial resources measurement focus and the modified accrual basis of accounting, emphasizing the change in fund balance as a result of the current year's operations, as well as the amount of resources available to spend. The government-wide financial statements (Statement of Net Deficit and Statement of Activities,) show the financial position and results of operations and using the total economic resources measurement focus and the accrual basis of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private-sector for-profit enterprises.

The difference in measurement focus affects the types of transactions and events that are reported in the two types of financial statements. Specifically, since the fund statements are concerned with only current financial resources, noncurrent assets and liabilities are not shown on the Balance Sheet, and their related expenses are not reflected in the operating statement; government-wide financial statements include noncurrent assets and liabilities and their related expenses. For the Judicial Expense Fund at the fund level, the full purchase price of capital assets, net of retirements (\$132,951 in 2017 and \$48,156 in 2016) has been recorded as expenditures on the operating statement in the year of purchase, since available financial resources have been decreased (cash has been spent to purchase these assets). In contrast, the government-wide statements focus on total economic resources, capital assets are shown as noncurrent assets on the

## Introduction to the Two Types of Financial Statements (Continued)

Statement of Net Deficit (with their related accumulated depreciation), and a portion of their purchase price has been allocated as depreciation expense on the Statement of Activities, as is the practice in private-sector enterprises. On the liability side, the fund-level Balance Sheet excludes noncurrent liabilities (\$18,343,507 in 2017 and \$24,259,254 in 2016), but the government-wide Statement of Net Position (Deficit) includes these liabilities, as they will be paid sometime in the future and thus affect total economic resources, although not current financial resources.

The second difference between fund and government-wide financial statements is the basis of accounting, or the timing of the recognition of transactions and events. Fund statements use the modified accrual basis of accounting, which recognizes revenues when they are earned, as they are collectible within the fiscal period, and expenditures when they are due (hence the elimination of long-term liabilities from the Balance Sheet). The government-wide financial statements use the full accrual basis of accounting: revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the receipt or disbursement. In layman's terms, fund financial statements focus on the current fiscal year, and the resources that are available and spendable, and government-wide statements focus on the overall economic position, both short-term and long-term. The table below summarizes these differences.

	Fund	Government-wide
Statement of Position	Balance Sheet	Statement of Net Position (Deficit)
Statement of Operations	Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Activities
Measurement focus	Current financial resources	Total economic resources
Basis of accounting	Modified accrual	Accrual
Capital assets	Full purchase price is expensed in the year of purchase in the operating statement; not recorded on the Balance Sheet	Full purchase price is recorded as a capital asset on the Statement of Net Position (Deficit); depreciation expense for the current fiscal year is recorded in the Statement of Activities; total accumulated depreciation is shown on the Statement of Net Position (Deficit); the related expense is recorded in the Statement of Activities
Noncurrent liabilities	Not shown on the Balance Sheet; the related expenditure is not recorded in the operating statement until the expenditure has occurred	Shown on the Statement of Net Position (Deficit); the related expense is recorded in the Statement of Activities
Depreciation expense	Not recorded	Recorded in the Statement of Activities
Accumulated depreciation	Not recorded	Shown on the Statement of Net Position (Deficit)

## **Overview of Difference in Fund and Government-Wide Financial Statements**

The presentation of the two sets of financial statements is also different. On the fund level, the Balance Sheet shows Assets, Liabilities, and Fund Balance, with a reconciliation to Net Position (Deficit) which follows the government-wide Statement of Net Position (Deficit). All assets and liabilities on the Balance Sheet are current. The government-wide Statement of Position (Deficit) shows Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, separated into current and noncurrent, and Net Position (Deficit) (the difference). All of the Judicial Expense Fund's Net Position (Deficit), except for the \$228,350 invested in capital assets is unrestricted; the fund balance is nonspendable and unassigned.

A significant difference lies in the presentation of the operating statement. The fund Statement of Revenues, Expenditures, and Changes in Fund Balance lists revenues followed by the detailed list of expenditures (separated into direct and indirect) and ends with the change in fund balance. This familiar statement answers the question; did this year's operations increase or decrease fund balance? (available financial resources). The L-shaped government-wide Statement of Activities, which is read across then down, answers the question how much did it cost to provide this service? So it begins with the expenses of each function, followed by program revenues (the specific revenues provided by users of the services, divided into charges for services and operating grants), to derive at Net Program Revenue (the difference between program revenues and expenses). Reading down the net column, general revenues are added to calculate the change in net position (deficit), which is reconciled to net position (deficit) at the end of the year. The four functions of the Judicial Expense Fund are (1) the fourteen divisions of Civil District Court; (2) three sections of First City Court; (3) Second City Court, and (4) Domestic Support. General and administrative costs are allocated to the four functions based on that function's percent of total revenues derived from filing fees.

### **Using this Annual Report**

The Judicial Expense Fund's annual report consists of financial statements that show information about the Judicial Expense Fund's General Fund at the fund level, and Statement of Net Position (Deficit) and Statement of Activities at the government-wide level.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this Management Discussion and Analysis. That opinion is modified with respect to the basic financial statements due to the omission of the Statement of Fiduciary Funds as of December 31, 2017. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

(Continued)

**How 2017 Compares with 2016 - Statement of Net Position (Deficit)**

The table below shows condensed information from the Statement of Net Position (Deficit) for 2017 and 2016.

**Statement of Net Deficit Comparative Data**

	<u>2017</u>	<u>2016</u>	Variance Increase (Decrease) Amounts	Variance Increase (Decrease) %
Capital assets, net	\$ 228,350	\$ 199,073	\$ 29,277	14.72%
Other assets	<u>7,467,272</u>	<u>5,784,568</u>	<u>1,682,704</u>	<u>29.09%</u>
Total assets	7,695,622	5,983,641	1,711,981	28.61%
Deferred outflows of resources	<u>2,521,902</u>	<u>6,340,132</u>	<u>(3,818,230)</u>	<u>-60.22%</u>
Total assets and deferred outflows of resources	<u>10,217,524</u>	<u>12,323,773</u>	<u>(2,106,249)</u>	<u>-17.09%</u>
Noncurrent liabilities	18,343,507	24,259,254	(5,915,747)	-24.39%
Other liabilities	<u>959,758</u>	<u>941,802</u>	<u>17,956</u>	<u>1.91%</u>
Total liabilities	19,303,265	25,201,056	(5,897,791)	-23.40%
Deferred inflows of resources	<u>517,521</u>	<u>609,475</u>	<u>(91,954)</u>	<u>-15.09%</u>
Total assets and deferred outflows of resources	<u>19,820,786</u>	<u>25,810,531</u>	<u>(5,989,745)</u>	<u>-23.21%</u>
Total net position (deficit)	<u>\$ (9,603,262)</u>	<u>\$ (13,486,758)</u>	<u>\$ 3,883,496</u>	<u>28.79%</u>

Capital assets increased from 2016 to 2017 because purchases of capital assets increase of \$132,951 was greater than depreciation expense for 2017 of \$103,674. Notes 1 and 4 include details on all of the Judicial Expense Fund's capital assets.

The main components of other assets are cash and accounts receivable. Cash increased by \$2,864,699 and interest receivable increased by \$19,705, which was offset by a decrease in accounts receivable of \$1,162,428 as a result of operations. The remaining decrease of other assets of \$39,272 is attributable to prepaid items.

**How 2017 Compares with 2016 - Statement of Net Deficit**

Current liabilities increased due to increases in accounts payable and salaries payable.

The adoption of the provisions of GASB 68 and 71 however has had the greatest impact on the Statement of Net Deficit. These pronouncements required that the Judicial Expense Fund to report its prorated portion of the net pension liability for employees who are participating in the pension plans. Although this is long-term liabilities and does not affect the governmental fund financial statements of the Judicial Expense Fund, it is the primary cause of a net deficit of \$9,603,262 in the government-wide financial statements.

**How 2017 compares with 2016, Statement of Activities**

The table below gives comparative data from the Statement of Activities for the years ending December 31, 2017 and December 31, 2016.

**Statement of Activities Comparative Data**

	<u>2017</u>	<u>2016</u>	Variance Increase (Decrease) Amounts	Variance Increase (Decrease) %
Revenues:				
Program revenues	\$ 9,793,419	\$ 9,083,294	\$ 710,125	7.82%
General revenues	<u>1,424,718</u>	<u>1,423,323</u>	<u>1,395</u>	<u>0.10%</u>
Total revenues	<u>11,218,137</u>	<u>10,506,617</u>	<u>711,520</u>	<u>6.77%</u>
Expenses:				
Civil District Court	3,691,692	7,372,356	(3,680,664)	-49.93%
First City Court	2,261,402	3,234,812	(973,410)	-30.09%
Second City Court	521,598	658,671	(137,073)	-20.81%
Domestic support	<u>859,950</u>	<u>937,066</u>	<u>(77,116)</u>	<u>-8.23%</u>
Total expenses	<u>7,334,642</u>	<u>12,202,905</u>	<u>(4,868,263)</u>	<u>-39.89%</u>
Change in net position (deficit)	3,883,495	(1,696,288)	5,579,783	-328.94%
Net deficit,				
Beginning of year	<u>(13,486,758)</u>	<u>(11,790,470)</u>	<u>(1,696,288)</u>	<u>14.39%</u>
End of year	<u>\$ (9,603,263)</u>	<u>\$ (13,486,758)</u>	<u>\$ 3,883,495</u>	<u>28.79%</u>

The Statement of Activities shows the results of operations for the year ended December 31, 2017. Current year expenses were approximately \$5,000,000 less than the prior year primarily due to changes in the pension liability and the related pension expense. Revenues increased approximately \$700,000 due to an increase in charges for services.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Judicial Expense Fund uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the Judicial Expense Fund's governmental fund is to provide information on near-term inflows (revenues), outflows (expenditures), and balances of spendable resources. Such information is useful in assessing the Judicial Expense Fund's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year. As of the end of the current year, the Judicial Expense Fund's, the General Fund, reported an ending fund balance of \$6,507,514, an increase of \$1,664,748 in comparison with the prior year. An unassigned fund balance of \$6,468,786 is available for spending at the Judicial Expense Fund's discretion. The remainder of fund balance is nonspendable to indicate that it is not available for new spending because it has already been committed for insurance.

### Budgetary Comparison

The table below shows the amounts for the original budget and/or amended final budget, and actual results for 2017 and 2016. The original budget was amended during the year ended December 31, 2017 and was not amended during the year ended December 31, 2016.

#### Budgetary Comparison Data

	2017			2016	
	Original Budget	Amended Budget	Actual	Budget	Actual
Revenues	\$ 10,132,546	\$ 10,405,730	\$ 11,218,136	\$ 9,873,801	\$ 10,506,617
Operating expenditures	9,642,341	9,693,679	9,420,437	9,701,866	9,414,131
Capital expenditures	150,000	150,000	132,951	100,000	48,156
Total expenditures	9,792,341	9,843,679	9,553,388	9,801,866	9,462,287
Net change in fund balance	\$ 340,205	\$ 562,051	\$ 1,664,748	\$ 71,935	\$ 1,044,330

The budget was amended for the year ended December 31, 2017 due to a 2.5% pay increase authorized by the *Judges En Banc* in July 2017. The budget was also amended due to the receipt of additional revenue from the Clerk of Civil District Court as part of the memorandum of understanding.

**CAPITAL ASSETS**

**Capital Assets**

The Judicial Expense Fund's investment in capital assets for its governmental activities as of December 31, 2017, totaled \$228,350 (net of accumulated depreciation). This investment in capital assets includes office furniture, fixtures, equipment, and leasehold improvements.

	<u>2017</u>	<u>2016</u>
Capital assets	<u>\$228,350</u>	<u>\$199,073</u>

Major capital additions include computer network and server equipment of \$37,591, Smartbench software of \$62,500, and security equipment of \$19,543.

Additional information on the Judicial Expense Fund's capital assets can be found in Note 4 of this report.

**Significant Events**

The implementation of the provisions of GASB 68 and 71 has had a major impact on the Judicial Expense Fund. There have been many challenges with these pronouncements and determined our net pension liability and deferred inflows and outflows based upon the actuarial reports provided to us by the three different pension funds. Long-term debt now includes an accrued net pension liability of \$14,430,305 discussed in Note 9, an accrued other post-employment benefit liability, \$2,778,604, discussed in Note 8, a retirement escrow which is discussed in Note 1 and a related party liability, \$1,127,518, discussed in Note 7. The payments made to reduce this long-term debt do not present a problem for the Judicial Expense Fund in the short term or long term.

Since the Judicial Expense Fund has only one fund, the General Fund, no fund analysis is necessary as this entire discussion pertains to this single general fund.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Judicial Expense Fund typically considers the following factors and indicators when setting the next year's budget, rates, and fees. These factors and indicators are as follows:

- Revenues are budgeted based on the assumption that filing fees will slightly increase.
- Expenses were budgeted based on the assumption that certain expenses would increase in 2017 related to salaries and benefits.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Judicial Expense Fund's finances for all those with an interest in the Judicial Expense Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Judicial Expense Fund, 421 Loyola Avenue, Room 320, New Orleans, Louisiana 70112.

**STATEMENT OF NET DEFICIT**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

December 31, 2017

**ASSETS**

**Current Assets**

Cash (Note 2)	\$ 5,959,786
Accounts receivable (Note 3)	1,437,063
Interest receivable (Note 5)	31,695
Prepaid expense	<u>38,728</u>
 Total current assets	 7,467,272

**Noncurrent Assets**

Capital assets, net of accumulated depreciation (Note 4)	<u>228,350</u>
 Total assets	 7,695,622

**Deferred Outflows of Resources**

Deferred outflows amounts related to net pension liability	<u>2,521,902</u>
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Total assets and deferred outflows of resources	<u>\$ 10,217,524</u>
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The accompanying notes are an integral part of the financial statements.

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 741,504
Salaries and benefits payable	204,563
Compensated absences	13,691
	959,758
Total current liabilities	959,758

**Noncurrent Liabilities**

Retirement escrow	7,080
Net pension liability	14,430,305
Other non-current liabilities	1,127,518
Unfunded other post-employment benefits	2,778,604
	18,343,507
Total noncurrent liabilities	18,343,507

Total liabilities	19,303,265
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**Deferred Inflows of Resources**

Deferred amounts related to net pension liability	517,521
	517,521
Total liabilities and deferred inflows of resources	19,820,786

**NET DEFICIT**

Net investment in capital assets (Note 4)	228,350
Unrestricted	(9,831,612)
	(9,603,262)
Total net deficit	\$ (9,603,262)

**STATEMENT OF ACTIVITIES**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue Change in Net Deficit</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>Government Activities:</b>				
Program				
Civil District Court	\$ 3,691,692	\$ 7,007,192	\$ 74,749	\$ 3,390,249
First City Court	2,261,402	2,139,432	-	(121,970)
Second City Court	521,598	318,449	-	(203,149)
Domestic Support	859,950	253,597	-	(606,353)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total governmental activities	<u>\$ 7,334,642</u>	<u>\$ 9,718,670</u>	<u>\$ 74,749</u>	<u>2,458,777</u>
 General Revenues:				
Interest income				294,275
Other income				1,130,443
				<u>                    </u>
Total general revenues				<u>1,424,718</u>
 <b>Change in Net Deficit</b>				 3,883,495
 <b>Net Deficit</b>				
Beginning of year				<u>(13,486,758)</u>
End of year				<u>\$ (9,603,263)</u>

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

**BALANCE SHEET - GOVERNMENTAL FUND**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

December 31, 2017

**ASSETS**

Cash	\$ 5,959,786
Accounts receivable	38,072
Interest receivable	31,695
Prepaid expense	38,728
Due from Clerk of Civil District Court:	
Benefit fund	119,610
Salary fund	<u>1,279,381</u>
 Total assets	 <u>\$ 7,467,272</u>

**LIABILITIES AND FUND BALANCE**

Accounts payable and accrued expenses	\$ 741,504
Salaries payable	204,563
Compensated absences payable	<u>13,691</u>
 Total liabilities	 <u>959,758</u>
 Nonspendable fund balance	 38,728
Unassigned fund balance	<u>6,468,786</u>
 Total fund balance	 <u>6,507,514</u>
 Total liabilities and fund balance	 <u>\$ 7,467,272</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**SHEET TO THE STATEMENT OF NET DEFICIT**

**Judicial Expense Fund for the**  
**Civil District Court for the Parish of Orleans**  
 New Orleans, Louisiana

December 31, 2017

Fund balance - governmental fund	<u>\$ 6,507,514</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	
Governmental capital assets	4,109,995
Less: accumulated depreciation	<u>(3,881,645)</u>
	<u>228,350</u>
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	
	<u>2,521,902</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Net pension liability	(14,430,305)
Other noncurrent liabilities	(1,134,598)
Other postemployment benefit obligations	<u>(2,778,604)</u>
	<u>(18,343,507)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in governmental funds	
	<u>(517,521)</u>
Net deficit of governmental activities	<u>\$ (9,603,262)</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENT FUND**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

<b>Revenues</b>	
Filing fees, net +	\$ 8,567,558
Interest income	294,275
Grant income	74,749
Domestic support	253,597
Other income	<u>2,027,958</u>
Total revenues	<u>11,218,137</u>
<b>Direct Expenditures</b>	
Salaries	5,602,410
Employee benefits	2,677,680
Court reporters and interpreters	7,938
Jury meals and transportation	<u>72,085</u>
Total direct expenditures	<u>8,360,113</u>
<b>Indirect Expenditures</b>	
Books, printing and copying	185,265
Building and personnel security	138,348
Capital expenditures	132,951
Communication	151,122
Facilities	43,295
Furniture, equipment, and maintenance	110,927
Insurance	115,836
Office supplies and expenditures	114,527
Other expenditures	8,390
Postage and couriers	39,893
Professional education and dues	53,714
Professional services	<u>99,008</u>
Total indirect expenditures	<u>1,193,276</u>
Total expenditures	<u>9,553,389</u>
Net change in fund balance	1,664,748
<b>Fund Balance</b>	
Beginning of year	<u>4,842,766</u>
End of year	<u>\$ 6,507,514</u>

+ Filing fees reported net of Orleans Parish Clerk of Court's share

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

Net change in fund balance	\$ 1,664,748
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Depreciation	(103,674)
Capital expenditures	132,951
<p>Net pension expense is reported in governmental funds as expenditures as they are paid, however, in the Statement of Activities the net pension expense is reported according to estimates required by GASB 68:</p>	
Change in deferred outflows of resources	(3,818,230)
Change in deferred inflows of resources	91,954
Change in net pension liability	6,080,769
<p>Long-term liabilities:</p>	
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund:</p>	
Net change in other postemployment benefit obligations	(226,241)
Net change in other non-current liabilities not due or payable in the current period	61,218
Change in net deficit	\$ 3,883,495

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

**STATEMENT OF FIDUCIARY FUNDS - AGENCY FUNDS -**  
**CLERK OF FIRST CITY COURT AND CLERK OF SECOND CITY COURT**

**Judicial Expense Fund for the**  
**Civil District Court for the Parish of Orleans**  
 New Orleans, Louisiana

December 31, 2016

	Clerk of the First City Court For The Parish of Orleans			Clerk of the Second City Court For The Parish of Orleans		
	<u>Registry of Court Fund</u>	<u>Garnishment Deposit Fund</u>	<u>Totals</u>	<u>Registry of Court Fund</u>	<u>Garnishment Deposit Fund</u>	<u>Totals</u>
<b>Assets</b>						
Cash and cash equivalents	<u>\$ 297,726</u>	<u>\$ 525,867</u>	<u>\$ 823,593</u>	<u>\$ 45,336</u>	<u>\$ 39,603</u>	<u>\$ 84,939</u>
<b>Liabilities and Net Position</b>						
Undistributed interest	\$ 13,265	\$ 124,007	\$ 137,272	\$ 31,543	\$ 39,603	\$ 71,146
Due to other governments	-	-	-	13,793	-	13,793
Due to litigants and others	<u>284,461</u>	<u>401,860</u>	<u>686,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 297,726</u>	<u>\$ 525,867</u>	<u>\$ 823,593</u>	<u>\$ 45,336</u>	<u>\$ 39,603</u>	<u>\$ 84,939</u>

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

**STATEMENT OF FIDUCIARY FUNDS - AGENCY FUNDS -**  
**CLERK OF CIVIL DISTRICT COURT**

**Judicial Expense Fund for the**  
**Civil District Court for the Parish of Orleans**  
 New Orleans, Louisiana

December 31, 2016

	Clerk of Civil District Court For The Parish of Orleans							
	Registry Fund	Appeals Fund	Jury Fund	Title II Fund	Savings Fund	Petty Cash Fund	Domestic Fee Fund	Totals
<b>Assets</b>								
Cash and cash equivalents	\$ 41,530,532	\$ 2,509,837	\$ 6,118,949	\$ 3,982	\$ 3,300	\$ 24,435	\$ 12,434	\$ 50,203,469
<b>Liabilities and Net Position</b>								
Unsettled deposits	\$ -	\$ -	\$ -	\$ 3,982	\$ 3,300	\$ 24,435	\$ 12,434	\$ 44,151
Due to other governments	12,101	-	-	-	-	-	-	12,101
Pre 1990 litigant deposit	-	41,456	-	-	-	-	-	41,456
Interest to be allocated	-	250,029	517,800	-	-	-	-	767,829
Due to litigants and others	41,518,431	2,218,353	5,601,148	-	-	-	-	49,337,932
Total liabilities	\$ 41,530,532	\$ 2,509,838	\$ 6,118,948	\$ 3,982	\$ 3,300	\$ 24,435	\$ 12,434	\$ 50,203,469

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

**NOTES TO FINANCIAL STATEMENTS****Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

December 31, 2017

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") is designated by the LSA-R.S. 13:1312 as the managing entity for fiscal operations of the Civil District Court and the Clerks of the First and Second City Courts of the City of New Orleans.

The Judges of the Civil District Court for the Parish of Orleans and the judges of the First and Second City Courts of the City of New Orleans, sitting *En Banc* as set forth in LSA-R.S. 13:1312 have sole responsibility and oversight for the Judicial Expense Fund. The responsibility and oversight includes control over all revenues deposited into the Judicial Expense Fund by the aforementioned courts and offices, all disbursements made by the Judicial Expense Fund, the setting of all fees charged by the courts and offices comprising the Judicial Expense Fund, and the determination of expenditures related to the operations of such courts and offices.

The accounting policies of the Judicial Expense Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies. The following is a summary of the more significant accounting policies.

**a. Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as subsequently amended by GASB No. 39 *The Financial Reporting Entity*, established standards for defining and reporting on the financial entity. GASB Statement No. 14 indicates the focal point for identifying the financial reporting entity is the primary government, which is considered to 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.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a. Reporting Entity (Continued)**

On June 23, 2006, the Louisiana State Legislature enacted Act 621 of the Louisiana 2006 regular session to create the 41<sup>st</sup> Judicial District Court. Included in the provisions for the Act was the collection and allocation of fees to the Judicial Expense Fund and the Clerk of Civil District Court's Salary Fund. Specifically, the Act provides for the collection of fees and the deposit of a minimum of 50% of those funds in the Clerk of the Civil District Court (the "Clerk") and the balance with the Judicial Expense Fund.

Management of the Judicial Expense Fund has determined that the Clerk of Civil District Court's Salary Fund is not a component unit of the Judicial Expense Fund because in management's opinion, it has a separately elected governing body; legally separate; and is fiscally independent of the Judicial Expense Fund.

As previously discussed, state statute established the Judicial Expense Fund as the managing entity for fiscal operations of the Judicial Expense Fund which is separate and independent of any other governmental "reporting entity" as defined by GASB Statement Nos. 14 and 39.

In addition, the Judicial Expense Fund is financially independent of other governments. Although the Judicial Expense Fund conducts its business from a building provided by the City of New Orleans, as discussed in Note 4, this support is considered incidental in relation to the Judicial Expense Fund's total revenues and expenditures, and in view of the additions and improvements made to this building by the Judicial Expense Fund from its operating revenues over the term of its occupancy, which in total excess of approximately \$4,260,000 through the year ended December 31, 2017.

Accordingly, management has concluded that the Judicial Expense Fund is the financial reporting entity and has no component units within the provisions of GASB Statement Nos. 14 and 39.

**b. Measurement Focus and Basis of Accounting**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position (Deficit) and the Statement of Activities) report information on all activities of the Judicial Expense Fund. The Judicial Expense Fund is considered to be a governmental activity of a special-purpose government.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Measurement Focus and Basis of Accounting (Continued)**

Government-wide and Fund Financial Statements (Continued)

The Judicial Expense Fund's Statement of Activities demonstrates the degree to which the expenses of a given function are offset by function revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect costs are included in expenses reported by function. Program revenues include filing fees and operating grants.

The Judicial Expense Fund's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Separate financial statements are provided for the Judicial Expense Fund's governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Judicial Expense Fund considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Judicial Expense Fund reports its governmental fund as follows:

**General Fund**

The General Fund is used to account for all financial resources of the Judicial Expense Fund.

The operations of the General Fund are comprised of the General Fund's assets, liabilities, fund balance, revenues and expenditures, as related to the fiscal operations of the Clerks of Civil District Court, First City Court, and Second City Court.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Measurement Focus and Basis of Accounting (Continued)**

Government-wide and Fund Financial Statements (Continued)

**General Fund (Continued)**

Pursuant to the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is reported as nonspendable and unassigned. The nonspendable classification is associated with amounts considered nonspendable such as prepaid assets. The unassigned classification represents amounts not restricted or committed.

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 Judicial Expense Fund.

The judges receive no compensation for serving in their capacity as *Judges En Banc* of the Judicial Expense Fund for the Parish of Orleans.

Additionally, the Judicial Expense 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 expenditures which are incurred by these judges and paid directly by the Supreme Court of Louisiana are also excluded from these financial statements. Also, salaries of the judges of the First and Second City Courts are paid jointly by the Supreme Court of Louisiana and the Judicial Expense Fund (pursuant to LSA-R.S. 13-2152). For the year ended December 31, 2017, the Judicial Expense Fund paid \$102,246 each to four (4) City Judges. The total paid for all City Court Judges' salaries was \$409,703.

**c. Use of Estimates**

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

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Budgets and Budgetary Accounting**

As required by the Louisiana Revised Statutes 39:1303, the Judicial Expense Fund adopted a budget for its General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings of the budget prior to adoption. The budget was not amended. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The *Judges En Banc* at a public meeting on December 6, 2016, adopted a budget for the fiscal year ended December 31, 2017. Further, the *Judges En Banc* at a public meeting held on December 5, 2017, adopted an amended budget for the fiscal year ending December 31, 2017 and adopted a budget for the year ending December 31, 2018.

**e. Receivables**

The financial statements of the Judicial Expense Fund contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectability of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the fund.

**f. Prepaid Expense**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**g. Additional Operating Expenses**

It is the Judicial Expense Fund's policy to limit expenditures by each division of the Court for additional operating expenditures. Such expenditures may be made at the discretion of each presiding judge in accordance with specific guidelines established by the Judicial Expense Fund as to the purpose for which these expenditures may be used and only for such expenditures supported by proper documentation.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Additional Operating Expenses (Continued)**

The specific guidelines established by the Judicial Expense Fund permit use of such amounts for expenditures directly associated with or incidental to legal or judicial matters and functions. These expenditures are included in the General Fund of the accompanying financial statements of the Judicial Expense Fund.

**h. Capital Assets**

Capital assets which include computer equipment and software, office equipment, furniture and fixtures and leasehold improvements are reported in governmental activities in the government-wide financial statements.

The Judicial Expense Fund's capitalization policy requires that all single assets costing \$1,500 or greater to be capitalized and depreciated over their useful lives. Single assets costing less than \$1,500 are expensed. All assets, regardless of cost, are tracked. The straight-line method of depreciation is used for all classes of capital assets, and the allocation of depreciation expense begins on the first day of the quarter in which the capital asset is purchased. Leasehold improvements are amortized over the lesser of their useful lives or lease period.

Based on its own experience, the Judicial Expense Fund established the following useful lives for each asset class:

Asset Class	Estimated Useful Lives in Years
Computer equipment	5
Computer software	5
Office equipment	5
Furniture and fixtures	10
Leasehold improvements	3

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful live is not capitalized.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Compensated Absences**

Employees who work in the offices of the Clerk of First City Court earn vacation and personal leave on the anniversary of their employment date. There were employees who had earned accrued leave that was unpaid as of December 31, 2017. This accrued leave will be paid within the next year. Accrued leave earned, but unused by those employees as of December 31, 2017, totaled \$13,691.

**j. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Judicial Expense Fund reports deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Judicial Expense Fund reports deferred inflows of resources related to pensions.

**k. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Judicial Expense Fund's Pension Funds, (the "Pension Funds") and additions to/deductions from the Pension Funds fiduciary net position have been determined on the same basis as they are reported by the Pension Funds. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Fund Equity

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation reduced by the balance of outstanding debt attributable to the acquisition of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets".

When both restricted and unrestricted resources are available for use, it is the Judicial Expense Fund's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2017 and for the year then ended, the Judicial Expense Fund did not have or receive restricted net assets.

Fund Financial Statements:

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for a specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments. There was no restricted equity as of December 31, 2017.

**Committed** - amounts that can be used only for specific purposes determined by a formal decision of the Judicial Expense Fund. There was no committed equity as of December 31, 2017.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Fund Equity (Continued)**

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for a specific purposes. There was no assigned equity as of December 31, 2017.

**Unassigned** - all other amounts not included in other spendable classifications.

For classification of governmental fund balances, the Judicial Expense Fund considers an expenditure to be made from the most restrictive first when more than one classification is available. The Judicial Expense Fund's fund balance as of December 31, 2017 totaled \$6,507,514 of which \$6,468,786 was classified as unassigned and \$38,728 was classified as nonspendable as this balance related to prepaid expenses.

**m. Governmental Accounting Standards Board Statements Nos. 68 and 71**

The Judicial Expense GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment to GASB Statement No. 68*. The adoption of GASB 68 and 71 required significant changes to the financial statements of the Judicial Expense Fund's government-wide financial statements. The principal objective of these statements is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees, both active and inactive are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events in the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between government's inflow of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective is to improve the information provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. New Pronouncements**

During the year ended December 31, 2017, the Judicial Expense Fund implemented the following GASB statements:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans.*" The Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria and follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments and also sets forth note disclosure requirements for defined contribution OPEB plans.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement did not affect the Judicial Expense Fund's financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*" establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This Statement did not affect the Judicial Expense Fund's financial statements.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. New Pronouncements (Continued)**

Statement No. 80, "*Blending Requirement for Certain Component Units*" improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This requirement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the Judicial Expense Fund's financial statements.

Statement No. 81, "*Irrevocable Split Interest Agreements*" provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the Judicial Expense Fund's financial statements.

Statement No. 82, "*Pension Issues*" addresses several issues raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*", No. 68, "*Accounting and Financial Reporting for Pensions*", and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*" Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The GASB has issued the following Statements which will become effective in future years as shown on the following page:

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. New Pronouncements (Continued)**

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions.*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. New Pronouncements (Continued)**

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 85, "*Omnibus 2017*" On March 20, 2017, GASB issued "Omnibus 2017" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "Omnibus 2017" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topic covered, GASB is allowing the option of early implementation for single topics. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has not yet determined the effect of this Statement on the financial statements.

**Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. New Pronouncements (Continued)**

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

**o. Subsequent Events**

The Judicial Expense Fund evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 11, 2018, which is the date the financial statements were available to be issued.

**Note 2 - CASH**

Cash includes amounts in demand deposit accounts.

As of December 31, 2017 the carrying amounts of the Judicial Expense Fund's deposits totaled \$5,959,786 and the bank balances totaled \$5,983,917. Of these amounts, \$250,000 was covered by federal depository insurance and \$5,331,022 was collateralized by a pledge of securities in the joint name of the Judicial Expense Fund and the financial institution and held in safe-keeping by the Federal Reserve Bank of Boston and JP Morgan Chase which is under collateralized by \$281,059 by state statute.

Custodial credit risk is the risk that, in the event of a failure by the financial institution, the Judicial Expense Fund's deposits may not be returned to it. The Judicial Expense Fund has a deposit policy for custodial credit risk. Nevertheless, none of the Judicial Expense Fund's bank balances were exposed to custodial credit risk, since the pledged securities were in the joint name of the Judicial Expense Fund and the financial institution and were held in safekeeping by the Federal Reserve Bank of Boston.

**Note 2 - CASH (Continued)**

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the entity or with an unaffiliated bank or trust company for the account of the entity. Deposits in excess of FDIC insurance are collateralized by the securities previously described.

**Note 3 - ACCOUNTS RECEIVABLE**

As of December 31, 2017, accounts receivable is as follows:

Clerk's Salary Fund receivable, net	\$ 1,279,381
Clerk's Benefit Fund receivable	119,610
Other	<u>38,072</u>
Total	<u>\$ 1,437,063</u>

**Note 4 - CAPITAL ASSETS**

The following is a summary of capital assets for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Computer equipment	\$ 1,785,867	\$ 37,592	\$ -	\$ 1,823,459
Computer software	1,730,157	72,118	-	1,802,275
Office equipment	226,029	-	-	226,029
Furniture and fixtures	78,207	9,489	-	87,696
Leasehold improvements	<u>156,985</u>	<u>13,752</u>	<u>(201)</u>	<u>170,536</u>
	3,977,245	132,951	(201)	4,109,995
Less: accumulated depreciation	<u>(3,778,172)</u>	<u>(103,674)</u>	<u>201</u>	<u>(3,881,645)</u>
Net	<u>\$ 199,073</u>	<u>\$ 29,277</u>	<u>\$ -</u>	<u>\$ 228,350</u>

**Note 4 - CAPITAL ASSETS (Continued)**

Depreciation expense charged to each function for the year ended December 31, 2017 is as follows:

Civil District Court	\$ 75,061
First City Court	24,984
Second City Court	<u>3,629</u>
Total	<u>\$ 103,674</u>

An analysis of changes in accumulated depreciation and amortization by asset classification for the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Computer equipment	\$ 1,701,892	\$ 48,131	\$ -	\$ 1,750,023
Computer software	1,723,831	15,782	-	1,739,613
Office equipment	215,047	8,515	-	223,562
Furniture and fixtures	75,510	1,983	-	77,493
Leasehold improvements	<u>61,892</u>	<u>29,263</u>	<u>(201)</u>	<u>90,954</u>
Totals	<u>\$ 3,778,172</u>	<u>\$ 103,674</u>	<u>\$ (201)</u>	<u>\$ 3,881,645</u>

The building, which the Judicial Expense Fund occupies and uses to conduct its operations, is owned by the City of New Orleans. Although the Judicial Expense Fund does not pay rent to the City of New Orleans, the Judicial Expense Fund has made additions and improvements to the building during its term of occupancy. These additions and improvements are not included in the capital assets since the Judicial Expense Fund does not own the building. Such building additions and improvements funded from operations of the Judicial Expense Fund over its term of occupancy amount to \$4,261,803 through December 31, 2017. Building additions and improvements made for the year ended December 31, 2017 amounted to \$14,231 and are included in the accompanying financial statements of the Judicial Expense Fund.

**Note 5 - REGISTRY OF COURT FUNDS**

The Clerks of Civil District Court, First City Court and Second City Court each maintain a Registry of the Court Fund. 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 such other parties as the court may direct upon the conclusion of the litigation.

**Note 5 - REGISTRY OF COURT FUNDS (Continued)**

The Clerk of Civil District Court, the Clerk of First City Court and the Clerk of Second City Court are the custodians of the Registry of Court Fund for each respective court. The clerks generally may only accept deposits into or disburse funds from the Registry of Court Fund by order of the respective court.

With respect to the Registry of Court Fund of the Civil District Court, LSA-R.S. 13:1305 authorizes the investment of these funds into interest-bearing accounts. The state also provides 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 for administrative costs associated with the Registry of Court Fund. Interest earned and due to the Judicial Expense Fund at December 31, 2017 amounted to \$31,695 and is included in the accompanying financial statements.

These funds are subject to an annual audit by independent auditors who issue a separate report thereon. The 2017 financial statements for the Clerk of Civil District Court, the Clerk of First City Court, and Clerk of Second City Court have been omitted from the required fund financial statements as they were not furnished at the time of the financial report issuance for the Judicial Expense Fund.

**Note 6 - CHANGES IN NONCURRENT LIABILITIES**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2017.

	<u>Other Liabilities</u>	<u>Post- Employment Benefits</u>	<u>Net Pension Liability</u>	<u>Totals</u>
Beginning of year	\$ 1,195,817	\$ 2,552,363	\$ 20,511,074	\$ 24,259,254
Additions	825	581,580	-	582,405
Retirements	<u>(62,044)</u>	<u>(355,339)</u>	<u>(6,080,769)</u>	<u>(6,498,152)</u>
End of year	<u>\$ 1,134,598</u>	<u>\$ 2,778,604</u>	<u>\$ 14,430,305</u>	<u>\$ 18,343,507</u>
Due within one year	<u>\$ 78,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,000</u>

**Note 7 - INTERGOVERNMENTAL MEMORANDUM OF UNDERSTANDING**

On May 1, 2012, the Judicial Expense Fund and the Clerk of Civil District Court executed an agreement acknowledging that a net sum of \$1,435,540 representing sums collected by the Offices of Mortgages and Conveyances prior to January 1, 2009, should be transferred to the Clerk.

It was further agreed that the Judicial Expense Fund will repay the amount due to the Clerk at a rate of 1% of the filing fee revenue received from the Clerk each month until the amount is paid in full (see Note 6). The Judges En Banc and the Clerk agreed that this agreement shall continue herein unless compliance with the law or a judicial order or judgment requires a different result.

The balance of this liability at December 31, 2017 was \$1,127,518 and is included in other long-term liabilities.

**Note 8 - OTHER POST-EMPLOYMENT RETIREMENT BENEFITS**

Plan Description

Employees of the Judicial Expense Fund may voluntarily participate in the State of Louisiana's health insurance plan as provided by LSA-R.S. 17:1223 which is administered by the Office of Group Benefits (OGB). The State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit OPEB Plan. Those employees of the Judicial Expense Fund who are plan members become eligible for postemployment medical and life insurance benefits if they reach normal retirement age while working for the Judicial Expense Fund. Currently, the Judicial Expense Fund provides postemployment benefits for retired employees. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap).

Funding Policy

The contribution requirements of plan members and the employers are established and may be amended by LSA-R.S. 42:801-883. Active employees do not contribute to their postemployment benefit cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits based on qualified years of service. The plan is currently financed on a pay-as-you-go method. Contribution amounts vary depending on what healthcare provider is selected from the plan and whether the member has Medicare coverage. For the year ended December 31, 2017, the Judicial Expense Fund contributed \$355,339 to the OPEB Plan.

**Note 8 - OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)**

Funding Policy (Continued)

The postemployment benefits cost (expense), which the Judicial Expense Fund is required to contribute, is calculated based upon the annual required contribution of the employer, an amount actuarially determine in accordance within the parameters of GASB statement No. 45. The Judicial Expense Fund's annual required contribution (ARC), which is equal to the Judicial Expense Fund's annual OPEB cost, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize the unfunded actuarial liability (or funding excess) over a period of 30 years for health and life insurance. The total annual required contribution for 2017 was \$581,580. The current ARC rate is approximately 20% of annual covered payroll.

Annual OPEB Cost

The Judicial Expense Fund's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of December 31, 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual Post-employment Benefits Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Unfunded Post-employment Benefits Liability</u>
2017	\$581,580	61.09%	\$2,778,604
2016	\$846,450	40.70%	\$2,552,363
2015	\$778,250	38.00%	\$2,050,610

The following table shows the components of the Judicial Expense Fund's annual OPEB cost for the year, the percentage of that amount actually contributed to the plan and changes in the Judicial Expense Fund's net OPEB obligation:

Annual required contribution	\$ 581,580
Contributions made	<u>(355,339)</u>
Increase in Other Post-employment Benefits liability	226,241
Other Post-employment Benefits Liability - January 1, 2017	<u>2,552,363</u>
Other Post-employment Benefits Liability - December 31, 2017	<u>\$ 2,778,604</u>

**Note 8 - OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)**

Funding Status and Funding Progress

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund with an effective date of July 1, 2008. However, neither the Judicial Expense Fund, nor the State of Louisiana has contributed to it as of June 30, 2017. Since the plan was not funded, the entire actuarial accrued liability at June 30, 2017 was \$6,233,760 was unfunded.

The funded status of the Plan based on the July 1, 2016 actuarial validation was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,233,760
Actuarial value of plan assets	<u>                  -</u>
Unfunded Actuarial Accrued Liability (AAL)	<u>\$ 6,233,760</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 2,952,720</u>
UAAL as a percentage of covered payroll	<u>211%</u>

Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with, past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in Schedule 6, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 8 - OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)**

Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2016, 2015, and 2014 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.8% rate investment rate of return (net of administrative expenses) and a rate of 4% for the years 2015 and 2014, respectively. Initial annual healthcare cost trend rates of 7.0%, 7.5%, and 8.0% for Pre-Medicare and Medicare eligible, were assumed for the July 1, 2016, 2015, and 2014 valuations, respectively. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2017, 2016, and 2015 were 20, 21, and 22 years, respectively.

**Note 9 - PENSION PLANS**

Plan Description

The Judicial Expense 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 government and substantially all of the Judicial Expense Fund's employees are covered by one of the available plans.

The respective plan benefits provisions are established and amended under the following statutes:

Plan	Louisiana Revised Statute
Louisiana State Employees' Retirement System - Employees	11:401-542 Employees
Louisiana State Employees' Retirement System - Judges	11:401-571 Judges
Louisiana Clerks' of Court Retirement and Relief Fund	11:1501-1578
Louisiana Sheriffs' Pension and Relief Fund	11:2171-2184

**Note 9 - PENSION PLANS (Continued)**

Generally, eligibility to participate in one of the plans commences with full-time permanent 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 twelve to thirty years and, in some instances, may require attainment of a minimum age.

Annual retirement benefits under the plans are generally stipulated as a percentage of the participant's defined annual compensation for each year of service. In certain instances, the 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.

The plans issue publicly available reports that include financial statements and required supplementary information. The reports may be obtained via contact as follows:

Louisiana State Employees' Retirement System  
8401 United Plaza Blvd.  
Baton Rouge, LA 70809-7017  
Telephone: (800) 256-3000  
Fax: (225) 922-0614  
Website: [lasers.statc.la.us](http://lasers.statc.la.us)

Louisiana Clerks' of Court Retirement and Relief Fund  
11745 Bricksome Avenue, Suite B1  
Baton Rouge, LA 70816-2369  
Telephone: (800) 256-6660  
Fax: (225) 291-7424  
Website: [laclerksofcourt.org](http://laclerksofcourt.org)

Louisiana Sheriffs' Pension and Relief Fund  
1225 Nicholson Dr.  
Baton Rouge, LA 70802-7537  
Telephone: (215) 219-0500  
Fax: (225) 219-0521  
Website: [www.lsprf.com](http://www.lsprf.com)

**Note 9 - PENSION PLANS (Continued)**

Funding Policy

Under the terms of the various plans, employees contribute a specified percentage of their gross earnings and the Judicial Expense Fund also contributes a specified percentage. The plans in which the employees of the Judicial Expense Fund participate and the specified contribution percentages at December 31, 2017 are as follows:

	Period	Contribution Employee (%)	Percentages Employer (%)
Louisiana State Employees' Retirement System (LASERS) - Employees	January 1 - June 30	7.50	35.80
	July 1 - December 31	7.50	37.90
Employees hired after July 1, 2006	January 1 - June 30	8.00	35.80
	July 1 - December 31	8.00	37.90
Louisiana State Employees' Retirement System (LASERS) - Judges	January 1 - June 30	11.50	38.00
	July 1 - December 31	11.50	40.10
Judges hired in 2010 and earlier	January 1 - June 30	13.00	36.70
Judges hired in 2010 and earlier	July 1 - December 31	13.00	39.60
Louisiana Clerks' Retirement and Relief Fund (LCRRF)	January 1 - June 30	8.25	19.00
	July 1 - December 31	8.25	19.00
Louisiana Sheriffs' Pension and Relief Fund (LSPRF)	January 1 - June 30	10.25	13.25
	July 1 - December 31	10.25	12.75

The amounts of the most recently actuarially determined employer contribution as a percentage of covered compensation for each plan for the year ended 2017 amounted to:

LASERS Judges hired after 2010	40.10%
LASERS Judges hired in 2010 and earlier	39.60%
LASERS all others	37.90%
Clerks	19.00%
Sheriffs	12.75%

Benefits granted by the retirement systems are guaranteed by the State of Louisiana. The Judicial Expense Fund does not guarantee the benefits granted by the retirement systems.

**Note 9 - PENSION PLANS (Continued)**

Funding Policy (Continued)

In accordance with LSA-R.S. 11:1563, if at any time monies in the State Fund are not sufficient to pay each retiree and beneficiary, the full amount to which he/she is entitled, equal percentages of the full amount shall be paid to each retiree and beneficiary until the fund is replenished so as to warrant resumption of the payment of the full amount to each retiree and beneficiary.

Louisiana State Employees' Retirement System (LASERS):

*Actuarial Methods and Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Expected remaining service lives	3 years
Investment rate of return:	7.70% per annum
Inflation rate:	2.75% per annum
Mortality rates:	Non-disabled members-mortality rates based on the RP2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.
	Disabled members-mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

**Note 9 - PENSION PLANS (Continued)**

Louisiana State Employees' Retirement System (LASERS): (Continued)

*Actuarial Methods and Assumptions (Continued)*

Termination, disability, and retirement: Termination, disability and retirement assumptions were projected based on a five-year (2009-2013) experience study of the system's members.

Salary increases: Salary increases were projected based on a five-year (2009-2013) experience study of the system's members. The salary increases ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.80%	12.80%
Judges	2.80%	5.30%
Corrections	3.40%	14.30%
Hazardous duty	3.40%	14.30%
Wildlife	3.40%	14.30%

Cost of living adjustments: The present value of future retirement benefits is based upon benefits currently paid by the system and includes previously granted cost of living increases. The projected benefits payments do not include provisions for potential future increases not as yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return to the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

**Note 9 - PENSION PLANS (Continued)**

Louisiana State Employees' Retirement System (LASERS): (Continued)

*Actuarial Methods and Assumptions (Continued)*

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation (1)	Long Term Expected Rate of Return (1)
Cash	0%	-0.24%
Domestic equity	25%	4.31%
International equity	32%	5.35%
Domestic fixed income	8%	1.73%
International fixed income	6%	2.49%
Alternative investments	22%	7.41%
Global asset allocation	7%	2.84%
Totals	100%	5.26%

(1) For reference only: Target allocation is presented in LASER's 2017 Comprehensive Annual Financial Report, page 49 and Long-term expected rate of return page 28.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.70%, the projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 9 - PENSION PLANS (Continued)**

Louisiana State Employees' Retirement System (LASERS): (Continued)

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:*

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.70% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.70%) or one percentage-point higher (8.70%) than the current rate:

	<u>1.0% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1.0% Increase (8.70%)</u>
Employer's Proportionate Share of the Net Pension Liability	<u>(\$15,975,510)</u>	<u>(\$12,725,570)</u>	<u>(\$9,962,351)</u>

*Pension Plan Fiduciary Net Position*

Total Pension Liability	\$ 18,792,105,561
Plan Fiduciary Net Position	<u>11,753,275,850</u>
Employer's Net Pension Liability	<u>\$ 7,038,829,711</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2017 Comprehensive Annual Financial Report at [www.lasersonline.org](http://www.lasersonline.org).

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF):

*Actuarial Methods and Assumptions*

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2017 is as follows:

The net position liability was measured as the portions of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

**Note 9 - PENSION PLANS (Continued)**

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF): (Continued)

*Actuarial Methods and Assumptions (Continued)*

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2017 is as follows:

Valuation date:	June 30, 2017
Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expense, including inflation.
Projected salary increase:	5.00%
Inflation rate:	2.50%
Mortality rates:	RP-2000 Employee Table (set back 4 years for males and 3 years for females). RP-2000 Disabled Lives Mortality Table (set back 5 years for males and 3 years for females). RP-2000 Healthy Annuitant Table (set forward 1 year for males).
Expected remaining service lives:	2017 - 5 years 2016 - 5 years 2015 - 5 years 2014 - 5 years
Cost of living adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

**Note 9 - PENSION PLANS (Continued)**

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF): (Continued)

*Actuarial Methods and Assumptions (Continued)*

The actuarial assumptions used are based on the assumptions used in the 2017 actuarial funding valuation which (with the exception of mortality) were based on results of an actuarial experience study for the period July 1, 2009 through June 30, 2014 unless otherwise specified.

The mortality rate assumption was verified by combining data from this plan with three other state-wide plans, which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014.

The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. The mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (excepted returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return was 7.60% for the year ended June 30, 2017.

The best estimates of geometric real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2017 is summarized in the following table:

**Note 9 - PENSION PLANS (Continued)**

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF): (Continued)

*Actuarial Methods and Assumptions (Continued)*

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Returns</u>
Fixed Income:		
Core fixed income	5.00%	1.75%
Core plus fixed income	15.00%	2.25%
Domestic Equity:		
Large cap domestic equity	21.00%	5.25%
Non-large cap domestic equity	7.00%	5.00%
International Equity:		
Large cap international equity	14.00%	5.25%
Small cap international equity	6.50%	5.25%
Emerging markets	6.50%	7.25%
Real Estate	10.00%	4.50%
Master Limited Partnerships	5.00%	7.00%
Hedge Funds	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 9 - PENSION PLANS (Continued)**

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF): (Continued)

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:*

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.00% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is percentage-point lower (6.00%) or percentage-point higher (8.00%) than the current rate:

	1.0% Decrease <u>(6.00%)</u>	Current Rate <u>(7.00%)</u>	1.0% Increase <u>(8.00%)</u>
Employer's proportionate Share of the Net Pension Liability	<u>(\$1,860,522)</u>	<u>(\$1,219,024)</u>	<u>(\$668,347)</u>

*Pension Plan Fiduciary Net Position*

Total Pension Liability	\$ 744,970,984
Plan Fiduciary Net Position	<u>(593,677,582)</u>
Employer's Net Pension Liability	<u>\$ 151,293,402</u>

Louisiana Sheriffs' Pension and Relief Fund (LSPRF):

The Judicial Expense Fund was included as part of the Orleans Parish Criminal Sheriff's Office on the actuarial reports of the Louisiana Sheriffs' Pension and Relief Fund. The Judicial Expense Fund was not broken down or determined, but the amount of required employer contribution could be determined by multiplying the payroll by the actuarially determined rate of 13.25%. Therefore the following amounts are based upon the percentage of Judicial Expense Fund required employer contribution to the Orleans Parish Criminal Sheriff's required employer contribution.

**Note 9 - PENSION PLANS (Continued)**

Louisiana Sheriffs' Pension and Relief Fund (LSPRF): (Continued)

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2017 is as follows:

Valuation date:	June 30, 2017
Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%, net of investment expense, including inflation.
Discount rate:	7.40%
Projected salary increase:	5.50% (2.775% inflation, 2.725% merit)
Mortality rates:	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table.
Expected remaining service lives:	2017 - 7 years 2016 - 7 years 2015 - 6 years 2014 - 6 years
Cost of living adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

**Note 9 - PENSION PLANS (Continued)**

Louisiana Sheriffs' Pension and Relief Fund (LSPRF): (Continued)

The mortality rate assumptions were set after reviewing an experience study performed over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables.

The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. The mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (excepted returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Estimates of arithmetic real rates of return for each major asset class based on the fund's target asset allocation as of June 30, 2017 were as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Rate of Returns</u>
Equity securities	60%	7.4%	4.4%
Bonds	25%	2.6%	0.7%
Alternative investments	<u>15%</u>	4.2%	<u>0.6%</u>
Total	<u>100%</u>		5.7%
Inflation			<u>2.6%</u>
Expected arithmetic nominal return			<u>8.3%</u>

**Note 9 - PENSION PLANS (Continued)**

Louisiana Sheriffs' Pension and Relief Fund (LSPRF): (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from members will be made at the actuarially determined rates approved by the PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.4% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate:

	<u>1.00% Decrease (6.40%)</u>	<u>Current Rate (7.40%)</u>	<u>1.00% Increase (8.40%)</u>
Employer's Proportionate Share of the Net Pension Liability	<u>(\$1,006,284)</u>	<u>(\$485,711)</u>	<u>(\$52,717)</u>

*Pension Plan Fiduciary Net Position*

Total Pension Liability	\$ 3,761,394,421
Plan Fiduciary Net Position	<u>(3,328,367,058)</u>
Employer's Net Pension Liability	<u>\$ 433,027,363</u>

**Note 9 - PENSION PLANS (Continued)**

Louisiana Sheriffs' Pension and Relief Fund (LSPRF): (Continued)

Combined Balances:

**Pension Liabilities**

At December 31, 2017, the Judicial Expense Fund reported a liability of \$14,430,305 or its proportionate share of the net pension liabilities. The net pension liability was measured as of June 30, 2017 for LASERS, LCRRF, and LSPRF. The total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Judicial Expense Fund's proportion of the net pension liability was based on a projection of the fund's long-term share of contributions to each pension plan relative to the projected contributions for all participating employers, actuarially determined. At June 30, 2017, the Judicial Expense Fund's proportion of the LASERS net pension liability was .18080% which was an increase of .00587% from its proportionate share measured as of June 30, 2016. At June 30, 2017, the Judicial Expense Fund's proportion of the LCRRF net pension liability was .80356% which a increase of .01930% from proportionate share measured as of June 30, 2016. At June 30, 2017, the Judicial Expense Fund's proportion of the LSPRF net pension liability was .112793% which was a decrease of .72603% from its proportionate share measured as of June 30, 2016.

*Pension Expense*

The Judicial Expense Fund recognized a net pension credit of (\$794,146) for the year ended December 31, 2017.

**Note 9 - PENSION PLANS (Continued)**

Combined Balances: (Continued)

The Judicial Expense Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 80,636	\$ (324,932)
Change of assumptions	127,222	-
Net difference between projected and actual earnings on pension plan investments	891,316	-
Changes in proportion and differences between contributions and proportionate share of contribution	622,269	(192,589)
Contributions subsequent to the measurement date	<u>800,459</u>	<u>-</u>
	<u>\$ 2,521,902</u>	<u>\$ (517,521)</u>

The Judicial Expense Fund reported \$800,459 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 720,287
2019	643,268
2020	193,713
2021	(332,448)
2022	(9,826)
2023	<u>(11,072)</u>
Total	<u>\$ 1,203,922</u>

**Note 10 - CIVIL DISTRICT COURT FILING FEE REVENUE**

Act 621 passed by the State of Louisiana Legislature and signed by the Governor of the State of Louisiana on June 23, 2006 requires the deposit of no less than fifty percent of the filing fees collect pursuant to LSA-R.S. 13:1213 into the Clerk's Salary Fund. The remaining filing fees collected by the Clerk are remitted to the Judicial Expense Fund.

**Note 11 - OPERATING LEASES**

The Judicial Expense Fund is committed under various leases for office equipment and storage which expire in varying periods through 2019. The leases are considered for accounting purposes to be operating leases. Lease expense for the year ended December 31, 2017 was \$44,688.

Future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2018	<u>\$ 15,370</u>

**Note 12 - RISK MANAGEMENT**

The Judicial Expense Fund is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets for which the Judicial Expense Fund carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

For the year ended December 31, 2017, no insurance settlements exceeded the amount of insurance coverage.

**Note 13 - CONCENTRATION OF CREDIT RISK**

The Judicial Expense Fund's principal source of revenues consists of filing fees. If the amount of fees received falls below budgeted levels, the Judicial Expense Fund's operating results could be adversely affected.

**Note 14 - NET DEFICIT**

For the year ended December 31, 2017, the Judicial Expense Fund had a change in net deficit of \$3,883,496. The impact of the implementation of GASB Nos. 68 and 71 has resulted in a total net deficit of \$9,603,262. Management continues to work on its plan to ensure a positive trend in its changes in net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES AND  
EXPENDITURES BUDGETED AND ACTUAL**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

	Original Budgeted Amounts	Amended and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Filing fees, net	\$ 8,667,960	\$ 8,497,730	\$ 8,567,558	\$ 69,828
Interest income	12,400	272,000	294,275	22,275
Grant income	-	-	74,749	74,749
Domestic support	-	-	253,597	253,597
Other income	1,452,186	1,636,000	2,027,958	391,958
Total revenues	<u>10,132,546</u>	<u>10,405,730</u>	<u>11,218,137</u>	<u>812,407</u>
<b>Expenditures</b>				
Direct expenses:				
Salaries	5,642,761	5,693,000	5,602,410	90,590
Employee benefits	2,829,309	2,830,408	2,677,680	152,728
Court reporters and interpreters	15,541	15,541	7,938	7,603
Jury meals and transportation	67,668	67,668	72,085	(4,417)
Total direct expenses	<u>8,555,279</u>	<u>8,606,617</u>	<u>8,360,113</u>	<u>246,504</u>
Indirect expenses:				
Books, printing, and copying	115,802	115,802	185,265	(69,463)
Building and personnel security	135,000	135,000	138,348	(3,348)
Capital expenditures	150,000	150,000	132,951	17,049
Communication	188,761	188,761	151,122	37,639
Facilities	10,849	10,849	43,295	(32,446)
Furniture, equipment, and maintenance	190,174	190,174	110,927	79,247
Insurance	117,409	117,409	115,836	1,573
Office supplies and expenses	133,575	133,575	114,527	19,048
Other expenditures	8,953	8,953	8,390	563
Postage and couriers	25,117	25,117	39,893	(14,776)
Professional education and dues	72,112	72,112	53,714	18,398
Professional services	89,310	89,310	99,008	(9,698)
Total indirect expenses	<u>1,237,062</u>	<u>1,237,062</u>	<u>1,193,276</u>	<u>43,786</u>
Total expenditures	<u>9,792,341</u>	<u>9,843,679</u>	<u>9,553,389</u>	<u>290,290</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 340,205</u>	<u>\$ 562,051</u>	<u>\$ 1,664,748</u>	<u>\$ 1,102,697</u>

**NOTE TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

December 31, 2017

The Judicial Expense Fund adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

**Budgetary Information**

Preparation of the adopted budget begins in the Fiscal Administration Office of the Judicial Administrator. The Chief Accountant compiles actual financial information from the previous year for each department of the Judicial Expense Fund. Department heads and judges provide their input and a proposed budget is prepared on the accrual basis of accounting. The budget adopted is consistent with accounting principles generally accepted in the United States of America.

Once the preliminary budget is prepared, it is presented and discussed by the Finance Committee. Once the Finance Committee approves the budget, the Judicial Expense Fund publishes notice of the budget in the Times-Picayune, the official journal of New Orleans. The public is invited to inspect and comment on the proposed budget. The budget is subsequently adopted by the Judges En Banc at a meeting open to the public.

Once the budget is adopted, the Fiscal Administration Office compares actual revenue and expenditures to the budget throughout the year. When circumstances warrant it, the Chief Accountant and Judicial Administrator will prepare an amended budget and present it to the Finance Committee. If the Finance Committee approves their amended budget, it will recommend it to the Judges En Banc. There will be a public announcement, public inspection period and an amended budget will be adopted at an open meeting.

For the year ended December 31, 2017, for the Judicial Expense Fund, the proposed original budget was advertised in the Times-Picayune on November 2, 2016, November 4, 2016 and November 6, 2016. It was available for public inspection and comment on November 21, 2016, November 22, 2016 and November 23, 2016 and was legally adopted at an open meeting of the Judges En Banc on December 6, 2016. The amended and final budget was advertised in the Times-Picayune on November 1, 2017, November 3, 2017 and November 5, 2017. It was available for public inspection and comment on November 20, 2017, November 21, 2017 and November 22, 2017 and was legally adopted at an open meeting of the Judges en Banc on December 5, 2017.

**SCHEDULE OF EMPLOYER'S PROPORTIONATE  
SHARE OF NET PENSION LIABILITY**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

	<u>LASERS</u>	<u>LCFFR</u>	<u>LSPRF</u>
<b>2017</b>			
Proportion of the net pension liability	<u>0.18080%</u>	<u>0.80356%</u>	<u>0.112793%</u>
Proportionate share of the net pension liability	<u>\$12,725,570</u>	<u>\$1,219,024</u>	<u>\$485,711</u>
Covered-employee payroll	<u>\$3,151,074</u>	<u>\$1,372,459</u>	<u>\$781,266</u>
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>403.85%</u>	<u>88.82%</u>	<u>62.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>62.50%</u>	<u>79.69%</u>	<u>88.49%</u>
<b>2016</b>			
Proportion of the net pension liability	<u>0.17493%</u>	<u>0.78426%</u>	<u>0.83882%</u>
Proportionate share of the net pension liability	<u>\$13,736,312</u>	<u>\$1,450,857</u>	<u>\$5,323,905</u>
Covered-employee payroll	<u>\$3,177,285</u>	<u>\$1,359,593</u>	<u>\$787,702</u>
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>432.33%</u>	<u>106.71%</u>	<u>675.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.70%</u>	<u>74.17%</u>	<u>82.10%</u>
<b>2015</b>			
Proportion of the net pension liability	<u>0.16974%</u>	<u>0.81525%</u>	<u>0.71673%</u>
Proportionate share of the net pension liability	<u>\$11,544,912</u>	<u>\$1,222,893</u>	<u>\$497,458</u>
Covered-employee payroll	<u>\$3,149,042</u>	<u>\$1,486,554</u>	<u>\$677,097</u>
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>27.28%</u>	<u>121.56%</u>	<u>136.11%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>62.70%</u>	<u>78.13%</u>	<u>86.61%</u>

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

	<u>LASERS</u>	<u>LCFFR</u>	<u>LSPRF</u>
<b>2017</b>			
Contractually required contributions	\$ 1,134,441	\$ 261,089	\$ 103,517
Contributions in relation to the contractually required contribution	<u>(1,134,441)</u>	<u>(261,089)</u>	<u>(103,517)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 3,228,346</u>	<u>\$ 1,397,173</u>	<u>\$ 755,072</u>
Contributions as a percentage of covered - employee payroll	<u>35.14%</u>	<u>18.69%</u>	<u>13.71%</u>
<b>2016</b>			
Contractually required contributions	\$ 1,185,999	\$ 258,323	\$ 109,494
Contributions in relation to the contractually required contribution	<u>(1,185,999)</u>	<u>(258,323)</u>	<u>(109,494)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 3,193,674</u>	<u>\$ 1,366,760</u>	<u>\$ 796,312</u>
Contributions as a percentage of covered - employee payroll	<u>37.14%</u>	<u>18.90%</u>	<u>13.75%</u>
<b>2015</b>			
Contractually required contributions	\$ 1,171,627	\$ 281,821	\$ 96,487
Contributions in relation to the contractually required contribution	<u>(1,171,627)</u>	<u>(281,821)</u>	<u>(96,487)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 3,180,512</u>	<u>\$ 1,366,562</u>	<u>\$ 755,335</u>
Contributions as a percentage of covered - employee payroll	<u>36.84%</u>	<u>20.62%</u>	<u>12.77%</u>

**NOTES TO REQUIRED PENSION  
SUPPLEMENTARY INFORMATION**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

- Note 1** - The amounts presented on the Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Pension Contributions have a measurement date of the previous fiscal year end.
- Note 2** - GASB 68 requires the Schedule of Employer's Proportionate Share of Net Pension Liability show information for ten years. The Judicial Expense Fund implemented GASB 68 in its 2015 fiscal year therefore; additional years will be displayed as they become available in the future.

**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c)
July 1, 2016	\$0	\$6,233,760	\$6,233,760	0.00%	\$2,952,720	211%
July 1, 2015	\$0	\$9,334,320	\$9,334,320	0.00%	\$2,498,475	373%
July 1, 2014	\$0	\$8,488,260	\$8,488,260	0.00%	\$1,886,960	449%

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES AND EXPENSES - BY LEDGER**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

	Civil District Court	First City Court	Second City Court	Domestic Support	Totals
<b>Revenues</b>					
Filing fees, net	\$ 6,212,531	\$ 2,049,621	\$ 305,406	\$ -	\$ 8,567,558
Interest income	213,055	70,920	10,300	-	294,275
Grant income	74,749	-	-	-	74,749
Other income	1,613,103	362,247	52,608	253,597	2,281,555
Total revenues	<u>8,113,438</u>	<u>2,482,788</u>	<u>368,314</u>	<u>253,597</u>	<u>11,218,137</u>
<b>Expenses</b>					
Direct expenses:					
Salaries	2,903,268	1,722,459	364,820	611,863	5,602,410
Employee benefits	(92,416)	229,738	108,492	242,396	488,210
Jury meals and transportation	72,085	-	-	-	72,085
Court reports and interpreters	7,364	274	300	-	7,938
Total direct expenses	<u>2,890,301</u>	<u>1,952,471</u>	<u>473,612</u>	<u>854,259</u>	<u>6,170,643</u>
Indirect expenses:					
Books, printing, and copying	134,296	47,168	3,801	-	185,265
Building and personnel security	100,168	33,337	4,843	-	138,348
Communication	127,204	21,059	2,859	-	151,122
Depreciation	75,061	24,984	3,629	-	103,674
Facilities	15,442	25,342	2,511	-	43,295
Furniture, equipment, and maintenance	80,312	26,733	3,882	-	110,927
Insurance	81,812	25,856	2,984	5,184	115,836
Office supplies and expenses	72,923	35,944	5,153	507	114,527
Postage and couriers	27,040	10,914	1,939	-	39,893
Professional education and dues	18,406	26,536	8,772	-	53,714
Professional services	62,653	29,036	7,319	-	99,008
Other expenses	6,074	2,022	294	-	8,390
Total indirect expenses	<u>801,391</u>	<u>308,931</u>	<u>47,986</u>	<u>5,691</u>	<u>1,163,999</u>
Total expenses	<u>3,691,692</u>	<u>2,261,402</u>	<u>521,598</u>	<u>859,950</u>	<u>7,334,642</u>
<b>Excess of Revenues Over Expenses (Expenses Over Revenues)</b>	<u>\$ 4,421,746</u>	<u>\$ 221,386</u>	<u>\$ (153,284)</u>	<u>\$ (606,353)</u>	<u>\$ 3,883,495</u>

**STATEMENT OF CHANGES IN FIDUCIARY FUNDS - AGENCY FUNDS -  
CLERK OF FIRST CITY COURT AND CLERK OF SECOND CITY COURT**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2016

	Clerk of the First City Court For The Parish of Orleans			Clerk of the Second City Court For The Parish of Orleans		
	Registry of Court Fund	Garnishment Deposit Fund	Totals	Registry of Court Fund	Garnishment Deposit Fund	Totals
<b>Additions</b>						
Court costs, charges, and fees collected	\$ -	\$ -	\$ -	\$ 306,387	\$ -	\$ 306,387
Interest earnings	464	779	1,243	22	123	145
Collections on behalf of litigants or upon court order	79,213	15,007	94,220	-	-	-
Other	-	-	-	-	45	45
Total additions	<u>79,677</u>	<u>15,786</u>	<u>95,463</u>	<u>306,409</u>	<u>168</u>	<u>306,577</u>
<b>Reductions</b>						
Fees, court costs, charges and interest earnings distributed to Judicial Expense Fund	-	-	-	300,657	-	300,657
Payments to litigants or upon court order	113,552	1,402	114,954	3,840	-	3,840
Transfers to capital improvement fund	470	780	1,250	-	-	-
Other reductions	-	-	-	5,215	-	5,215
Total reductions	<u>114,022</u>	<u>2,182</u>	<u>116,204</u>	<u>309,712</u>	<u>-</u>	<u>309,712</u>
Increase (decrease)	(34,345)	13,604	(20,741)	(3,303)	168	(3,135)
<b>Total Liabilities</b>						
Beginning of year	<u>332,071</u>	<u>512,263</u>	<u>844,334</u>	<u>48,639</u>	<u>39,435</u>	<u>88,074</u>
End of year	<u>\$ 297,726</u>	<u>\$ 525,867</u>	<u>\$ 823,593</u>	<u>\$ 45,336</u>	<u>\$ 39,603</u>	<u>\$ 84,939</u>

**STATEMENT OF CHANGES IN FIDUCIARY FUNDS - AGENCY FUNDS -  
CLERK OF CIVIL DISTRICT COURT**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2016

	Clerk of Civil District Court For The Parish of Orleans								
	Registry Fund	Appeals Fund	Jury Fund	Administrative Fee Fund	Title II Fund	Savings Fund	Petty Cash Fund	Domestic Fee Fund	Totals
<b>Additions</b>									
Deposits	\$ 27,122,526	\$ 468,648	\$ 818,700	\$ -	\$ -	\$ -	\$ 4,052	\$ 472,674	\$ 28,886,600
Interest earnings	23,954	39,265	94,554	-	-	43	169	28	158,013
Total additions	27,146,480	507,913	913,254	-	-	43	4,221	472,702	29,044,613
<b>Reductions</b>									
Payments	22,138,242	290,941	884,246	637	-	-	4,457	472,938	23,791,461
Refunds	-	-	-	-	-	-	-	-	-
Total reductions	22,138,242	290,941	884,246	637	-	-	4,457	472,938	23,791,461
Increase (decrease)	5,008,238	216,972	29,008	(637)	-	43	(236)	(236)	5,253,152
Liabilities, as previously stated	36,449,812	2,292,866	6,089,940	637	3,982	3,257	24,671	12,670	44,877,835
Prior period adjustment	72,482	-	-	-	-	-	-	-	72,482
<b>Total Liabilities</b>									
Beginning of year	36,522,294	2,292,866	6,089,940	637	3,982	3,257	24,671	12,670	44,950,317
End of year	\$ 41,530,532	\$ 2,509,838	\$ 6,118,948	\$ -	\$ 3,982	\$ 3,300	\$ 24,435	\$ 12,434	\$ 50,203,469

**SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO CHIEF JUDGE**

**Judicial Expense Fund for the  
Civil District Court for the Parish of Orleans  
New Orleans, Louisiana**

For the year ended December 31, 2017

**Chief Judge Name:** Sidney H. Cates, IV

**Purpose:**

Salary	\$	0
Benefits - insurance		0
Benefits - retirement		0
Benefits - other		0
Car allowance		0
Vehicle provided by government		0
Per diem		0
Reimbursements		0
Travel		0
Registration fees		0
Conference travel		0
Continuing professional education fees		0
Housing		0
Unvouchered expenses		0
Special meals		0
		<hr/>
	\$	<hr/> 0

\* The salary and related benefits for the Chief Judge is paid directly by the Supreme Court. As such, the judge receives no compensation for serving in his capacity on the En Banc.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Chief Paulette R. Irons,  
The Judges En Banc of the Judicial Expense Fund for the Civil District Court  
for the Parish of Orleans, The Supreme Court of the State of Louisiana,  
Citizens of the Parish of Orleans, and the State of Louisiana,  
New Orleans, Louisiana.

We have audited, 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, the accompanying financial statements of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the Judicial Expense Fund's basic financial statements, and have issued our report thereon dated June 11, 2018.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Judicial Expense Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Judicial Expense Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Responses as item 2017-001 and 2017-002.

### **Judicial Expense Fund's Response to Findings**

The Judicial Expense Fund's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Judicial Expense Fund's response was not subjected to auditing procedures applied in the audit of the financial statement and, accordingly we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Judicial Expense Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
June 11, 2018.



**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters**

**2017-001 Compliance with State Public Bid Law**

**Criteria** - Louisiana Revised Statute 38:2212 requires that all purchases of materials and supplies exceeding the sum of \$30,000 be advertised and awarded to the lowest responsible bidder who has bid accordingly to the specifications as advertised.

**Condition** - The purchase of the asset was obtained through two phone quotes over \$30,000 and not through advertisement and the receipt of three sealed bids.

**Cause** - The Judicial Expense Fund did not advertise for the purchase of materials over \$30,000 and they did not obtain three sealed bids.

**Effect** - The Judicial Expense Fund was not in compliance with Louisiana Revised Statute 38:2212.

**Recommendation** - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising and obtaining sealed bids for purchases of materials and supplies exceeding the sum of \$30,000.

**Views of responsible officials of the auditee when there is a disagreement with the finding, to the extent practical** - None.

**2017-002 Compliance with State Collateralized Law**

**Criteria** - Louisiana Revised Statute 33:2955 requires that deposits of all political subdivisions be fully collateralized at all times.

**Condition** - The deposits were under collateralized by \$281,059.

**Cause** - The Judicial Expense Fund did not monitor the cash balances to ensure they were fully collateralized.

**Effect** - The Judicial Expense Fund was not in compliance with Louisiana Revised Statute 33:2955.

**Recommendation** - We recommend that the Judicial Expense Fund monitor the cash balances and ensure they are fully collateralized.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters (Continued)**

**2017-002 Compliance with State Collateralized Law (Continued)**

**Views of responsible officials of the auditee when there is a disagreement  
with the finding, to the extent practical - None.**

**Section III - Federal Award Findings and Questioned Costs**

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not receive federal awards during the year ended December 31, 2017.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana**

For the year ended December 31, 2017

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

###### **2016-001 Compliance with State Public Bid Laws**

**Recommendation** - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising purchases of materials and supplies exceeding the sum of \$30,000.

**Management's Corrective Action** - (Unresolved) See 2017-001 The Judicial Expense Fund will institute policies to advertise purchases of materials and supplies exceeding the sum of \$30,000 in order to comply with Louisiana Revised Statute 38:2212.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not receive federal awards during the year ended December 31, 2016.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the basic financial statements for the year ended December 31, 2016.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana**

For the year ended December 31, 2017

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

There were no findings noted during the audit for the year ended December 31, 2017 related to internal control over financial reporting.

##### **Compliance and Other Matters**

###### **2017-001 Compliance with State Public Bid Law**

**Recommendation** - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising and obtaining sealed bids for purchases of materials and supplies exceeding the sum of \$30,000.

**Management's Corrective Action** - The Judicial Expense Fund will institute policies to advertise purchases of materials and supplies exceeding the sum of \$30,000 in order to comply with Louisiana Revised Statute 38:2212.

###### **2017-002 Compliance with State Public Bid Law**

**Recommendation** - We recommend that the Judicial Expense Fund monitor the cash balances and ensure they are fully collateralized.

**Management's Corrective Action** - The Judicial Expense Fund will institute policies to monitor their cash balances to comply with Louisiana Revised Statute 33:2955.

**Section II - Internal Control and Compliance Material to Federal Awards**

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not receive federal awards during the year ended December 31, 2017.

**Section III - Management Letter**

A management letter was not issued in connection with the audit of the basic financial statements for the year ended December 31, 2017.

**STATEWIDE AGREED UPON PROCEDURES (R.S. 24:513)**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED UPON PROCEDURES**

To the Chief Paulette R. Irons,  
The Judges En Banc of the Judicial Expense Fund for the Civil District Court  
for the Parish of Orleans, The Supreme Court of the State of Louisiana,  
Citizens of the Parish of Orleans, and the State of Louisiana,  
New Orleans, Louisiana.

We have performed the procedures enumerated below, which were agreed to by the management of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans ("Judicial Expense Fund") and the Louisiana Legislative Auditor (LLA), solely to assist the specified users of the report in evaluating management's assertions about the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) accompanying the annual financial statements of Judicial Expense Fund for the year ended December 31, 2017 and to determine whether the C/C areas identified in the Statewide Agreed-Upon Procedures are free of obvious errors and omissions. Management of Judicial Expense Fund is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified parties in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that were performed and our findings are as follows:

**Written Policies and Procedures**

- 1. Obtain Judicial Expense Fund's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that Judicial Expense Fund does not have any written policies and procedures), as applicable:**

We obtained the written policies and verified that the written policies address the areas as follows:

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

No exceptions were noted.

## Written Policies and Procedures (Continued)

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

We obtained the purchasing policy from the Judicial Expense Fund. We verified that the written policy addresses (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions were noted.

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

We obtained the disbursements written policy from the Judicial Expense Fund. We verified that the written policy addresses processing, reviewing, and approving of disbursements.

No exceptions were noted.

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

We obtained the receipts written policy from the Judicial Expense Fund. We verified that the written policy addresses receiving, recording, and preparing deposits.

No exceptions were noted.

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

We obtained the payroll/personnel written policy from the Judicial Expense Fund. We verified that the written policy addresses (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions were noted.

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

## Written Policies and Procedures (Continued)

We obtained the contracting written policy from the Judicial Expense Fund. We verified that the written policy addresses (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process; and (5) monitoring process.

No exceptions were noted.

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

We obtained the credit cards written policy from the Judicial Expense Fund. We noted that the Judicial Expense Fund only uses a credit card, and does not use debit cards, fuel cards, or P-Cards. We verified that the written policy addresses (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers; and (5) monitoring card usage.

No exceptions were noted.

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

We obtained the travel and expense reimbursement written policy from the Judicial Expense Fund. We verified that the written policy addresses (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements; and (4) required approvers.

No exceptions were noted.

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

We obtained the ethics policy from Judicial Expense Fund. We verified that written policies address (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations; and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Judicial Expense Fund 's ethics policy.

## Written Policies and Procedures (Continued)

The Judges En Banc require all permanent employees to take annual ethics training as provided by the Louisiana Board of Ethics website. A certificate of completion is required to be turned in to the Judicial Administrator and filed in the employee's personnel file by March 31 of each year or within 90 days of an employee's hire date.

No exceptions were noted.

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

Not applicable as the Judicial Expense Fund has no debt.

## Board (or Finance Committee, if applicable)

### **2. Obtain and review the board/committee minutes for the fiscal period, and:**

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

Louisiana Revised Statute 13:1312 is the Judicial Expense Fund's enabling legislation. RS 13:1312 assigns the Judges, En Banc, of the Civil District Court for the Parish of Orleans control of the Judicial Expense Fund, but the Act does not state a required frequency of meetings or the required number of judges in attendance to constitute a quorum.

We noted the following Judicial Expense Fund meeting dates and attendance:

- On January 10, 2017, 14 judges attended the meeting.
- On January 25, 2017, 13 judges attended the special meeting.
- On February 7, 2017, 12 judges attended the meeting.
- On March 7, 2017, 11 judges attended the meeting.
- On April 4, 2017, 13 judges attended the meeting.
- On May 2, 2017, 12 judges attended the meeting.
- On May 8, 2017, 14 judges attended the special meeting.
- On June 16, 2017, 12 judges attended the meeting.
- On July 11, 2017, 13 judges attended the meeting.
- On September 12, 2017, 12 judges attended the meeting.
- On October 10, 2017, 15 judges attended the meeting.
- On November 7, 2017, 14 judges attended the meeting.
- On December 5, 2017, 11 judges attended the meeting.

**Board (or Finance Committee, if applicable) (Continued)**

No exceptions were noted.

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

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

Minutes referenced reports from the Finance Committee chair. Budget-to-actual comparisons were performed in this committee.

We reviewed the minutes referenced in Step 2a and determined that the Judicial Expense Fund did not have deficit spending.

No exceptions were noted.

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

For the minutes referenced in Step 2a, we verified that at least one meeting during the fiscal period included non-budgetary financial information.

No exceptions were noted.

**Bank Reconciliations**

**3. Obtain a listing of Judicial Expense Fund's bank accounts from management and management's representation that the listing is complete.**

We obtained the listing of the bank accounts from management and obtained a representation from management that the listing is complete.

No exceptions were noted.

## **Bank Reconciliations (Continued)**

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

We selected all of Judicial Expense Fund's bank accounts. For each bank account we verified the following:

- a) Bank reconciliations have been prepared.**

We obtained bank statements and bank reconciliations for all months in the fiscal period for the bank account referenced in Step 3. We verified that bank reconciliations were prepared.

No exceptions were noted.

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

No exceptions were noted. A member of management reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.**

The Judicial Expense Fund maintains a Juror Expense Account. This account is used to reimburse jurors for expenses incurred in the performance of jury duty. Hundreds of checks, primarily for parking reimbursements in small amounts, are written from this account each month. For this account only, the Judicial Expense Fund maintains a policy of writing off checks that are over twelve months old.

We also note that the Judicial Expense Fund is transitioning to a parking voucher system to reduce the number of checks written for juror reimbursements.

No exceptions were noted.

## Collections

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

We obtained the listing of collection locations and a representation from management that the listing is complete.

No exceptions noted.

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

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

We noted that each person collecting cash is not (1) bonded. The Judicial Expense Fund collects very little cash and also maintains a crime insurance policy.

We obtained written documentation and determined that each person collecting cash is (2) not responsible for depositing cash in the bank, recording the related transaction, or reconciling the related bank account; and (3) not required to share the same cash register or drawer with another employee.

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

We verified that Judicial Expense Fund has a formal process and written documentation to reconcile cash collections to the general ledger by a person who is not responsible for cash collections.

No exceptions noted.

## Collections (Continued)

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

1. **Using Judicial Expense Fund's collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.**

Judicial Expense Fund maintains reports which document daily cash collections. We noted that cash deposits were made within one day of collection.

No exceptions were noted.

2. **Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.**

We obtained documentation and verified that daily cash collections are completely supported.

No exceptions were noted.

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

We obtained written documentation and verified that there is a process to determine completeness of collections.

No exceptions were noted.

## Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases, or payments)

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

**Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases, or payments) (Continued)**

We obtained the listing of Judicial Expense Fund disbursements and a representation from management that the listing is complete.

No exceptions were noted.

9. **Using the disbursement population from Step 8 above, randomly select 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if Judicial Expense Fund had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:**

We selected 25 disbursements, examined supporting documentation and verified the following:

- a) **Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.**

No exceptions were noted.

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

No exceptions were noted.

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

Of the 25 disbursements, 22 were for services provided. There were no related receiving reports since no goods were received for these disbursements.

For the 3 disbursements for goods, we obtained documentation of the related purchase orders and invoices; however, we were unable to obtain receiving reports.

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

**Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases, or payments) (Continued)**

The accounts payable clerk is responsible for adding vendors to the purchasing/disbursement system and processing payments. However, the Judicial Expense Fund's Judicial Administrator and two judges review all disbursements to mitigate the risk of improper payments.

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

The judges have signatory authority, but do not record purchases.

Judges are able to initiate purchases. However, as a compensating control, a judge cannot sign off on a purchase initiated by him or herself.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Judicial Expense Fund's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.**

Through the inquiry of management and observation, we determined that a supply of unused checks are maintained in a locked location with restricted access. The Judicial Expense Fund uses electronically printed checks. Persons with signatory authority do not have system access to print checks.

No exceptions were noted.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.**

Through inquiry of the Judicial Expense Fund's management, we determined that neither a signature stamp or signature machine is used by the Judicial Expense Fund.

No exceptions were noted.

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

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

We obtained the listing of credit cards and a representation from management that the listing is complete.

No exceptions were noted.

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

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

The Judicial Expense Fund has two credit cards on one account. We selected both credit cards (Judicial Expense Fund does not have debit cards, fuel cards, or P-cards) and obtained the monthly statements for the largest month.

No exceptions were noted.

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.**

For both credit cards selected in Step 15, we reviewed approval of the credit card statement by someone other than the authorized card holder.

No exceptions were noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.**

We noted a \$8.96 finance charge on the September 2017 statement for one of the two credit cards.

**Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)**

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

We obtained supporting documentation for the statements selected in Step 15 and verified the following:

- a) For each transaction, report whether the transaction is supported by:**

- 1. An original itemized receipt (i.e., identifies precisely what was purchased)**

No exceptions were noted.

- 2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.**

No exceptions were noted.

- 3. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)**

No exceptions were noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to Judicial Expense Fund's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes), if applicable, and report any exceptions.**

No exceptions were noted. None of the transactions were subject to the Louisiana Public Bid Law.

- c) For each transaction, compare Judicial Expense Fund's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.**

No exceptions were noted.

## Travel and Expense Reimbursement

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

We obtained the listing of travel expenses and general ledger detail and a representation from management that it is complete.

No exceptions were noted.

- 18. Obtain Judicial Expense Fund's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.**

GSA rates are used for travel and expense reimbursements with the following noted:

Per the Louisiana Supreme Court, partial per diem rates are set at \$59 and flat per diem rates are set at \$118. These rates exceed the GSA rates for most geographic areas.

Per the Louisiana Supreme Court, lodging reimbursement for the 2017 LSBA/Louisiana Judicial College Joint Summer School is set at a daily maximum rate of \$314.28, a rate that exceeds the GSA rate for the geographic region during the specified dates.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (Step 18 above) and report each reimbursement that exceeded those rates.**

We obtained the largest travel expense for each of the three persons incurring the most travel costs during the fiscal period. We compared reimbursed rates to the written policy rates noted in Step 18. The following were noted:

In testing the largest travel expense for one person, the lodging reimbursement rate was \$302.75.

## Travel and Expense Reimbursement (Continued)

### **b) Report whether each expense is supported by:**

- 1. An original itemized receipt that identifies precisely what was purchased.**

No exceptions were noted.

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

No exceptions were noted.

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

No additional documentation is required by written policy.

### **c) Compare Judicial Expense Fund's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.**

No exceptions were noted.

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

For each expense selected in Step 19a, we reviewed written approval by someone other than the person receiving reimbursement.

No exceptions were noted.

## Contracts

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

We obtained a listing of all contracts in effect during the year ended December 31, 2017. We obtained management's representation that the listing is complete.

## Contracts (Continued)

No exceptions were noted.

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

We selected the five contract vendors paid the most money during the fiscal period and the related contracts and invoices and performed the following:

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

For the five vendors we verified that there is a written contract supporting the amount paid for services.

No exceptions were noted.

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

- 1. If yes, obtain/compare supporting contract documentation to legal requirements and report whether Judicial Expense Fund complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).**

We determined that the contracts referenced in Step 21a were not subject to the Louisiana Public Bid Law, as they were all for services provided. We obtained supporting contract documentation verifying compliance with all legal requirements.

No exceptions were noted.

- 2. If no, obtain supporting contract documentation and report whether Judicial Expense Fund solicited quotes as a best practice.**

Judicial Expense Fund solicited quotes for one of the five contracts we obtained in Step 21a. The remaining four contracts fell below the thresholds required to initiate the bidding process.

No exceptions were noted.

## Contracts (Continued)

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

There were no amendments made to any contract selected in Step 21a.

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

We selected the largest payment from each of the five contracts, obtained supporting invoices, and verified payments were in accordance with contract terms.

No exceptions were noted.

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

No exceptions were noted.

## Payroll and Personnel

22. **Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:**

We obtained a listing of employees and a representation from management that the listing is complete. We selected five employees and obtained their personnel files and performed the following:

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

For the five employees, the compensation paid during the fiscal period was made in accordance with the terms and conditions of the reviewed employment documentation.

No exceptions were noted.

**Payroll and Personnel (Continued)**

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

Changes in salaries were approved in writing in accordance with written policy.

No exceptions were noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees (or randomly select one-third of employees if Judicial Expense Fund had less than 25 employees during the fiscal period), and:**

We selected one pay period in which leave was taken and performed the following:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).**

We randomly selected 25 employees from the pay period. We obtained time sheets for 5 of the 25 selected. We noted that 1 of the 25 selected, was an exempt employee and did not maintain a time sheet.

We noted that 19 employees lacked documentation of their daily attendance and leave. We were presented with certified payroll registers, in lieu of time sheets, that displayed aggregate pay and hours for the period tested. We noted judge's approval of each of the payroll registers.

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

For each employee selected in Step 23a, we observed a supervisor's written approval of time worked and pay to be received for the period.

No exceptions were noted.

- c) Report whether there is written documentation that Judicial Expense Fund maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.**

For 8 of the 25 employees selected, we obtained documentation that the Judicial Expense Fund maintained written leave records. However, we were unable to obtain sufficient evidence of leave records for the remaining 17 employees.

## Payroll and Personnel (Continued)

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

We obtained a list of terminations and a representation that the list is complete. We selected the two largest termination payments and verified that they were in accordance with the contract and were approved by management.

No exceptions were noted.

## Ethics

- 25. Using the five randomly selected employees/officials from procedure Step 22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.**

No exceptions were noted.

- 26. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.**

Management represented that there were no alleged ethics violations were reported to the entity during the fiscal year,

No exceptions noted.

## Debt Service

- 27. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.**

Not applicable. The Judicial Expense Fund does not have outstanding debt.

## Debt Service (Continued)

- 28. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.**

Not applicable.

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

Not applicable. The Judicial Expense Fund does not have outstanding debt.

- 30. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.**

We examined supporting documentation and verified that required payments of payroll taxes and retirement contributions as well as the required reporting forms were made timely, with the following exceptions.

Four contribution reports, for Louisiana State Employees' Retirement System (LASERS), were submitted prior to the required deadline. The Judicial Expense Fund was charged interest on the late remittances.

## Other

- 31. Inquire of management whether Judicial Expense Fund had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether Judicial Expense Fund reported the misappropriation to the Louisiana Legislative Auditor and the district attorney of the parish in which Judicial Expense Fund is domiciled.**

Management represented that there were no misappropriations of public funds. In addition, management signed a management representation letter stating there were no misappropriations of public funds.

- 32. Observe and report whether Judicial Expense Fund has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.**

**Other (Continued)**

We verified that the Judicial Expense Fund has posted on its premises and website the notice required by R.S. 24:523.1.

No exceptions were noted.

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

We did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

No exceptions were noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We are not engaged to, and did not perform an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Certified Public Accountants.

New Orleans, Louisiana,  
June 11, 2018.