

Financial Report

City Court of Houma

Houma, Louisiana

For the year ended December 31, 2017

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For the year ended December 31, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Matthew H. Hagen, Judge
City Court of Houma,
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities, the General Fund and Fiduciary Funds of City Court of Houma, State of Louisiana (City Court), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City Court'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 City Court'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 City Court'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.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities, the General Fund and fiduciary funds of City Court of Houma as of December 31, 2017, and the respective changes in financial position for the governmental activities and General Fund and the budgetary comparison for the General Fund 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 pages 4 through 8, the Schedule of Funding Progress for the OPEB Plan on page 45, the Schedules of City Court's Proportionate Share of Net Pension Liability on pages 46 and 47 and the Schedules of City Court Contributions on pages 48 and 49 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 audit 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 City Court's basic financial statements. The accompanying supplementary information on page 50 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2018 on our consideration of City Court's internal control over financial reporting and 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 City Court's internal control over financial reporting and compliance.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
April 23, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Court of Houma

The Management's Discussion and Analysis of City Court of Houma's (City Court) financial performance presents a narrative overview and analysis of City Court'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 financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

City Court's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of fiscal year 2017 by \$618,583 (net deficit), which represents a 68.30% increase from last fiscal year. The deficit is primarily the result of recognition of long-term obligations for compensated absences (GASB Statement No. 16), other postemployment benefits (GASB Statement No. 45) and the net pension liabilities (GASB Statement No. 68).

City Court's revenue decreased by \$76,082 (or 3.83%) primarily due to decreases in charges for services.

City Court's expenses increased by \$126,531 (or 6.22%) primarily due to increases in personal services resulting from accruals for other postemployment benefits, net pension liabilities and compensated absences as of December 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to City Court's financial statements. City Court's annual report consists of three parts: (1) management's discussion and analysis (this section) (2) financial statements and (3) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of City Court:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of City Court's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of City Court's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of City Court is improving or deteriorating. The Statement of Activities presents information showing how City Court's net position changed during each fiscal year. All changes in net position are reported

as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of City Court are judicial services from which fees are received from criminal, civil, and juvenile cases for future disposition to City Court and other local governments.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City Court maintains two types of funds, governmental and fiduciary fund types.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City Court maintains an individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. City Court adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 11 - 15 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside City Court. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent assets of City Court. Therefore, these assets are not presented as part of the government-wide financial statements. The Statement of Fiduciary Funds can be found on page 16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit I of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of City Court's financial position. As of December 31, 2017, liabilities and deferred inflows of resources, exceeded assets and deferred outflows of resources by \$618,583. Deferred outflows and inflows of resources are related to City Court's participation in multi-employer defined benefit pensions. A portion of City Court's net position (deficit) reflects its investment in capital assets (e.g., office equipment and furniture). Consequently, these assets are not available for future spending.

Condensed Statements of Net Position

	December 31,		Dollar
	2017	2016	Change
Current Assets	\$ 904,618	\$ 852,697	\$ 51,921
Capital Assets	68,356	97,803	(29,447)
Deferred outflows of resources	273,692	338,315	(64,623)
Total assets and deferred outflows of resources	<u>1,246,666</u>	<u>1,288,815</u>	<u>(42,149)</u>
Long-term obligations	1,673,185	1,441,639	231,546
Current liabilities	150,808	184,763	(33,955)
Deferred inflows of resources	41,256	29,954	11,302
Total liabilities and deferred inflows of resources	<u>1,865,249</u>	<u>1,656,356</u>	<u>208,893</u>
Net positions (deficit):			
Net investment in capital assets	68,356	97,803	(29,447)
Unrestricted	(686,939)	(465,344)	(221,595)
Total net position	<u>\$ (618,583)</u>	<u>\$ (367,541)</u>	<u>\$ (251,042)</u>

Current and other assets increased due to the increase in cash and cash equivalents as of December 31, 2017. Long-term obligations for compensated absences, net pension liability and other postemployment benefits of \$76,549, \$687,657 and \$909,069, respectively, have been recorded as of December 31, 2017. Deferred outflows and inflows of resources are a result of accounting for pensions.

Governmental Activities

Governmental activities for the year decreased City Court's net position (deficit) by \$251,042. Key elements of this increase are as follows:

Condensed Statements of Activities

	For the Year Ended December 31,		Dollar Change	Total Percentage Change
	2017	2016		
Program revenues				
Charges for services	\$ 922,632	\$ 998,636	\$ (76,004)	-7.61%
Operating grants	976,191	975,605	586	0.06%
General revenues				
Interest	6,456	4,020	2,436	60.60%
Miscellaneous	2,900	6,000	(3,100)	-51.67%
Total revenues	<u>1,908,179</u>	<u>1,984,261</u>	<u>(76,082)</u>	-3.83%
Expenses				
Judicial Activities	<u>2,159,221</u>	<u>2,032,690</u>	<u>126,531</u>	6.22%
Decrease in net position	(251,042)	(48,429)	(202,613)	418.37%
Net position (deficit)				
Beginning of year	<u>(367,541)</u>	<u>(319,112)</u>	<u>(48,429)</u>	15.18%
End of year	<u>\$ (618,583)</u>	<u>\$ (367,541)</u>	<u>\$ (251,042)</u>	68.30%

In 2017, City Court's revenues decreased \$76,082 primarily due to decreases in the number of criminal, civil and juvenile cases. During the year ended December 31, 2017, expenses increased \$126,531, primarily due to net increases in personal services resulting from year end accruals for compensated absences, \$8,281, pensions, \$192,369 and other post-employment benefits, \$106,821.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, City Court uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of City Court's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing City Court's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, City Court's General Fund's ending fund balance is \$746,708, which is an

increase of \$84,536 in comparison with the prior year. The entire balance is unassigned and available for spending at City Court's discretion.

General Fund Budgetary Highlights

City Court prepares its budget in accordance with accounting principles generally accepted in the United States.

The budget was amended once during the year. The primary reason for amending the budget was to align budgeted expenditures with actual.

For the year, revenues and expenditures were greater than budgetary estimates. See Exhibit G for a comparison of budgeted and actual revenue and expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

City Court's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$68,356 (net of accumulated depreciation). This net investment in capital assets includes furniture and equipment (see the table below).

	<u>2017</u>	<u>2016</u>
Furniture and equipment	<u>\$ 68,356</u>	<u>\$ 97,803</u>

Major capital asset events during the current fiscal year included the purchase of printers, computers, and a hard drive for the server.

Additional information on City Court's capital assets can be found in the Note 3, Exhibit I of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Management considers current year's actual expenses and revenues when setting the next year's budget. Management adjusts for different factors as they become known or transpire.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City Court's finances for all those with an interest in City Court's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Judge Matthew Hagen, 8046 Main St. Houma, Louisiana 70363.

STATEMENT OF NET POSITION**City Court of Houma**

December 31, 2017

	<u>Governmental Activities</u>
Assets and deferred outflows of resources	
Cash and cash equivalents	\$ 797,516
Investments	100,000
Prepaid insurance	7,102
Capital assets - Depreciable, net of accumulated depreciation	<u>68,356</u>
Total assets	972,974
Deferred outflows of resources	<u>273,692</u>
Total assets and deferred outflows of resources	<u>1,246,666</u>
Liabilities and deferred inflows of resources	
Accounts payable and accrued expenditures	25,451
Due to Terrebonne Parish Consolidated Government	125,357
Long-term obligations - due after one year	<u>1,673,185</u>
Total liabilities	1,823,993
Deferred inflows of resources	<u>41,256</u>
Total liabilities and inflows of resources	<u>1,865,249</u>
Net Position	
Net investment in capital assets	68,356
Unrestricted	<u>(686,939)</u>
Total net position	<u>\$ (618,583)</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

City Court of Houma

For the year ended December 31, 2017

	Program Revenue		Net (Expense)	
Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position	
Primary Government:				
Governmental activities:				
Judicial activities	\$ 2,159,221	\$ 922,632	\$ 976,191	\$ (260,398)
General Revenues:				
Interest and investment income			6,456	
Miscellaneous			2,900	
Change in net position			(251,042)	
Net position (deficit) - beginning			(367,541)	
Net position (deficit) - ending			\$ (618,583)	

See notes to financial statements.

GOVERNMENTAL FUND BALANCE SHEET**City Court of Houma**

December 31, 2017

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 797,516
Investments	<u>100,000</u>
Total assets	<u><u>\$ 897,516</u></u>
Liabilities	
Accounts payable	\$ 25,451
Due to Terrebonne Parish Consolidated Government	<u>125,357</u>
Total liabilities	150,808
Fund Balance	
Unassigned	<u>746,708</u>
Total liabilities and fund balance	<u><u>\$ 897,516</u></u>

See notes to financial statements.

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

City Court of Houma

December 31, 2017

Fund Balance - Governmental Fund		\$ 746,708
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, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 181,720	
Less accumulated depreciation	<u>(113,364)</u>	68,356
Prepaid expenses reported in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Prepaid insurance		7,102
Deferred outflows of resources used in governmental activities are not financial resources and are not reported in governmental funds		
		273,692
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Net pension liability	(687,657)	
Other postemployment benefit obligation	(909,069)	
Compensated absences payable	<u>(76,459)</u>	(1,673,185)
Deferred inflows of resources are not due and payable in the current period and are not reported in governmental funds		
		<u>(41,256)</u>
Net Position of Governmental Activities		<u>\$ (618,583)</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**City Court of Houma**

For the year ended December 31, 2017

Revenues

Charges for services:	
Criminal fees	\$ 255,857
Civil fees	400,156
Juvenile fees	92,482
Building fees	174,137
Intergovernmental revenue	
Federal	51,717
State of Louisiana	66,518
Terrebonne Parish Consolidated Government	857,956
Miscellaneous	
Interest and investment income	6,456
Other	2,900
	<hr/>
Total revenues	1,908,179

Expenditures

Current:	
General government:	
Personal services	1,391,606
Supplies and materials	62,837
Other services and charges	233,355
Repairs and maintenance	8,898
Professional services	30,588
Travel, education and seminars	28,269
Computer services	38,449
Miscellaneous	24,789
	<hr/>
Total general government	1,818,791
Capital outlay	4,852
	<hr/>
Total expenditures	1,823,643

**Excess of Revenues
Over Expenditures**

84,536

Fund Balance

Beginning of year	<hr/> 662,172
End of year	<hr/> <hr/> \$ 746,708

See notes to financial statements.

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

City Court of Houma

For the year ended December 31, 2017

Net Change in Fund Balance - Governmental Fund		\$ 84,536
<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>		
Capital outlay	\$ 4,852	
Depreciation expense	<u>(34,299)</u>	(29,447)
<p>Some expenditures reported in the governmental fund do not require the use of current financial resources and are not reported as expenses in the statement of activities.</p>		
Increase in prepaid insurance	\$ 1,340	
Pension expense	(192,369)	
Other postemployment benefits	(106,821)	
Compensated absences	<u>(8,281)</u>	<u>(306,131)</u>
Change in Net Position of Governmental Activities		<u>\$ (251,042)</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND**

City Court of Houma

For the year ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for services:				
Criminal fees	\$ 312,060	\$ 269,220	\$ 255,857	\$ (13,363)
Civil fees	360,000	404,713	400,156	(4,557)
Juvenile fees	99,840	94,686	92,482	(2,204)
Building fees	157,800	174,137	174,137	-
Intergovernmental revenue				
Federal	57,744	51,717	51,717	-
State of Louisiana	-	-	66,518	66,518
Terrebonne Parish				
Consolidated Government	823,638	857,956	857,956	-
Miscellaneous				
Interest and investment income	2,220	6,456	6,456	-
Other	-	2,900	2,900	-
Total revenues	<u>1,813,302</u>	<u>1,861,785</u>	<u>1,908,179</u>	<u>46,394</u>
Expenditures				
Current:				
General government:				
Reimbursement to Terrebonne				
Parish Consolidated Government	1,169,638	1,269,119	-	1,269,119
Personal services	91,512	85,103	1,391,606	(1,306,503)
Supplies and materials	51,960	64,316	62,837	1,479
Other services and charges	177,560	189,628	233,355	(43,727)
Repairs and maintenance	9,420	8,896	8,898	(2)
Professional services	48,700	30,213	30,588	(375)
Travel, education and seminars	57,300	40,990	28,269	12,721
Computer services	51,432	34,293	38,449	(4,156)
Miscellaneous	40,980	29,712	24,789	4,923
Total general government	1,698,502	1,752,270	1,818,791	(66,521)
Capital outlay	7,200	4,852	4,852	-
Total expenditures	<u>1,705,702</u>	<u>1,757,122</u>	<u>1,823,643</u>	<u>(66,521)</u>
Excess of Revenues Over Expenditures	107,600	104,663	84,536	(20,127)
Fund Balance				
Beginning of year	447,751	662,172	662,172	-
End of year	<u>\$ 555,351</u>	<u>\$ 766,835</u>	<u>\$ 746,708</u>	<u>\$ (20,127)</u>

See notes to financial statements.

STATEMENT OF FIDUCIARY FUNDS**City Court of Houma**

December 31, 2017

	Agency Funds			Total Agency Funds
	Civil Fund	Criminal Fund	Bond Fund	
Assets				
Cash and cash equivalents	\$ 75,132	\$ 1,723	\$ 3,110	\$ 79,965
Investments	600,000	-	-	600,000
Total assets	<u>\$ 675,132</u>	<u>\$ 1,723</u>	<u>\$ 3,110</u>	<u>\$ 679,965</u>
Liabilities				
Civil funds held for future disposition	\$ 675,132			\$ 675,132
Criminal funds held for future disposition	-	\$ 1,723		1,723
Bond funds held for future disposition	-	-	\$ 3,110	3,110
Total liabilities	<u>\$ 675,132</u>	<u>\$ 1,723</u>	<u>\$ 3,110</u>	<u>\$ 679,965</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**City Court of Houma**

December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of City Court of Houma (City Court) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

City Court is organized under Louisiana Revised Statute 13:1872 and is a limited jurisdiction within the boundaries of Terrebonne Parish handling civil suits up to \$20,000, adult misdemeanors and juvenile proceedings.

The Judge for City Court is an independently elected official with a six year term. However, City Court is fiscally dependent on the Terrebonne Parish Consolidated Government (the Parish) for the payment of salaries, courthouse space, maintenance, utilities and other office expenses. Each year the Parish budgets a certain amount of expenditures which will be paid on behalf of City Court. All expenditures exceeding the Parish's budget shall be paid by City Court. Accordingly, City Court has been determined to be a component unit of the Parish and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2017.

GASB No. 14, *The Financial Reporting Entity*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* established the criterion for determining which component units should be considered part of City Court for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between City Court and the potential component unit.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (continued)

4. Imposition of will by City Court on the potential component unit.
5. Financial benefit/burden relationship between City Court and the potential component unit.

City Court has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

b) Basis of Presentation

City Court's financial statements consist of the government-wide statements on all non-fiduciary activities of City Court and the governmental fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of City Court. The government-wide presentation focuses primarily on the sustainability of City Court as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements:

The daily accounts and operations of City Court are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Governmental resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following is the governmental fund of City Court:

General Fund - The General Fund is the general operating fund of City Court. It is used to account for and report all financial resources not accounted for and reported in another fund.

Fiduciary Funds:

Agency Funds - These funds are used to account for and report assets that City Court holds for others in an agency capacity. Since by definition these assets are being held for the benefit of others and cannot be used to address activities or obligations of City Court, these funds are not incorporated into the governmental-wide statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements:

The 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 related cash flows.

Fund Financial Statements:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current position. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government’s availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, City Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Allocations of cost such as depreciation are not recognized in the governmental funds.

d) 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, Management adopted a budget for City Court's General Fund. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by Management. City Court amended its budget once during the year. All budgeted amounts that 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 General Fund budget presentation is included in the financial statements, see Exhibit G.

f) Accounts Receivable

The financial statements for City Court contain no allowance for uncollectible accounts. Uncollectible amounts due for other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

g) Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as shown on the next page:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Assets (continued)

Furniture and equipment	5 - 10 years
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Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

h) Long-Term Obligations

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term obligations consist of accrued compensated absences (vacation and sick leave), obligations for retirement (net pension liability) and other postemployment benefits (group health insurance).

Fund Financial Statements:

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements.

i) Vacation and Sick Leave

City Court provides vacation benefits to all full-time employees, after 180 days of continuous employment. Unused vacation carries forward to the next year. Eligible employees earn one week of vacation after 180 days of employment, two weeks of vacation after one year of employment, 88 hours after 6 years, and increases by an 8 hour day each year thereafter up to 15 years of continued employment for a total of 160 hours earned. Employees with less than 10 years of service may accumulate a maximum of 112 hours of annual leave, employees with 10 or more years of service may accumulate a maximum of 160 hours of annual leave. Accumulated earned and unused vacation is payable upon termination.

Eligible personnel will earn sick leave. Sick leave is earned up to 10 days (80 hours) per year. Sick leave is earned by introductory employees on their 91st day of employment at a rate of 5 days, with the remaining 5 days being earned at their 181st day. The balance of sick time accumulates each year. Sick leave is payable upon termination up to one-half of the accumulated balance, up to a maximum of 240 hours.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Vacation and Sick Leave (continued)

Compensatory time will be given to employees in lieu of overtime. The rate of accrual is one and a half hours per hour of overtime worked. Compensatory time accumulates up to 60 hours of time. An employee who has accrued the maximum number of compensatory hours shall be paid overtime compensation in cash for any additional overtime hours worked. Compensatory time accumulates to the limit until termination at which point it will be paid to the employee.

The liability for these compensated absences is recorded as a long-term obligation in the government-wide statements. In the fund financial statements, government funds report compensated absence as paid or a liability payable from expendable available financial resources.

j) 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 City Court's retirement plans, Louisiana State Employees' Retirement System and Parochial Employees' Retirement System of Louisiana (the Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. 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.

k) Deferred Outflows of Resources

In addition to assets, the statement of net position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. City Court has pension related deferred outflows.

l) Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheets 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report deferred inflows of resources from pensions in Court's government-wide statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Equity

Government-wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At December 31, 2017 City Court had no outstanding borrowings.
- b. Restricted net position – Consists of assets and deferred outflow of resources less liabilities and deferred inflow of resources (net position) 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.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is City Court’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, City Court did not have or receive restricted resources.

Fund Financial Statements:

Government fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to maintain intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of City Court’s management. Commitment may be established, modified, or rescinded only through ordinances or resolutions approved by City Court’s management.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Equity (continued)

- d. Assigned – amounts that do not meet the criteria to be classified as either restricted or committed but are intended to be used for specific purposes. Assignment may be established, modified or rescinded by the Judge.
- e. Unassigned – all other spendable amounts.

For the classification of government fund balances, City Court considers an expenditure to be made from the most restrictive first when more than one classification is available. City Court's fund balance was classified as unassigned as of December 31, 2017.

n) New GASB Statements

During the year ending December 31, 2017, City Court implemented the following GASB Statements:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*" 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. This statement did not affect City Court's financial statements.

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 City Court's financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

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 City Court'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. This statement did affect City Court's financial statements.

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

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.

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 effects of this Statement on the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

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.

Note 2 - DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits:

State law requires that deposits (cash and certificates of deposit) of all political subdivisions to 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 political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Note 2 - DEPOSITS AND INVESTMENTS

The year-end balances of deposits are as follows:

	Bank Balances	Report Amount
Cash	892,501	877,481
Certificates of Deposit	700,000	700,000
Totals	\$ 1,592,501	\$ 1,577,481

Custodial credit risk is the risk that in the event of a bank failure, City Court's deposits may not be returned to it. City Court has a written policy for custodial credit risk, which reflects state law. As of December 31, 2017, \$837,280 of City Court's bank balance of \$1,592,501 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in City Court's name as allowed by state statutes.

At December 31, 2017, cash was adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of City Court. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though these deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

A reconciliation of deposits as shown on the Statement of Net Position and Governmental Fund Balance is as presented on the following page:

Note 2 - DEPOSITS AND INVESTMENTS

Report amount	\$	1,577,481
Less amounts reports in the Statement of Fiduciary Funds:		
Cash and cash equivalents		(79,965)
Investments		<u>(600,000)</u>
Total	\$	<u>897,516</u>
Governmental Fund Balance Sheet		
Cash and cash equivalents	\$	797,516
Investments		<u>100,000</u>
Total	\$	<u>897,516</u>

Note 3 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 199,508	\$ 4,852	\$ (22,640)	\$ 181,720
Less accumulated depreciation for:				
Furniture and equipment	<u>(101,705)</u>	<u>(34,299)</u>	<u>22,640</u>	<u>(113,364)</u>
Total capital assets, net	<u>\$ 97,803</u>	<u>\$ (29,447)</u>	<u>\$ -</u>	<u>\$ 68,356</u>

Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures at December 31, 2017 consisted of the following:

	<u>Governmental Activities</u>
Vendors	<u>\$ 25,451</u>

In addition City Court has reported amounts due to Terrebonne Parish Consolidated Government as presented on the next page:

Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES (Continued)

Operating expenses	\$ 116,022
Building fund fees	<u>9,335</u>
Totals	<u>\$ 125,357</u>

Note 5 - LONG-TERM OBLIGATIONS

Long-term obligations consist of accumulated earned and unpaid vacation and sick leave, other postemployment benefits and net pension liabilities and all are due in excess of one year. The following is a summary of changes in the long-term obligations of City Court for the year ended December 31, 2017:

	Payable January 1, 2017	Increase	Decrease	Payable December 31, 2017
Accumulated unpaid annual leave	\$ 68,178	\$ 90,598	\$ (82,317)	\$ 76,459
Other postemployment benefits	802,248	106,821	-	909,069
Net pension liability				
Parochial Employees' Retirement System	137,988	-	(35,967)	102,021
Louisiana State Employees' Retirement System	<u>433,225</u>	<u>152,411</u>	<u>-</u>	<u>585,636</u>
Totals	<u>\$ 1,441,639</u>	<u>\$ 349,830</u>	<u>\$ (118,284)</u>	<u>\$ 1,673,185</u>

Compensated absences, other postemployment benefits and net pension liability are described in Notes 1(i) and 1(j), 7 and 8, respectively.

Note 6 - RISK MANAGEMENT

City Court is exposed to various risks of loss related to workers compensation; torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and group health benefits for which City Court carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation and group insurance. No settlements were made during the year that exceeded City Court's insurance coverage. City Court pays yearly premiums to the Parish for general liability based on various factors such as its operations and maintenance budget, exposure and claims experience. The premiums for workers' compensation are based on a fixed percentage of payroll. The premiums for group insurance are based on a fixed rate per employee. The Parish handles all claims filed against City Court for which it has insurance coverage with the Parish.

City Court could have additional exposure for claims in excess of the Parish's insurance contracts as described on the following page:

Note 6 - RISK MANAGEMENT (Continued)

Policy	Coverage Limit
General Liability	\$ 10,000,000
Workers' Compensation	Statutory

Coverage for general liability claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$5,208,857 at December 31, 2016, then secondly by City Court. The Parish is self-insured for the first \$175,000 of each claim relating to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2016 was \$19,880,318. Insurance contracts cover the excess liability on individual claims. Covered employees are subject to a lifetime maximum claims limit. Coverage for group health claim liabilities are to be funded first by assets of the Parish's group health internal service fund, \$238,436 at December 31, 2016, then secondly by City Court. Worker's compensation claims in excess of \$550,000 are covered under an insurance contract for claims aggregate up to limits are to be funded first by assets of the Parish's workers' compensation internal service fund. At December 31, 2017, City Court had no claims in excess of the above coverage limits. Total premiums paid to the Parish for insurance coverage during the year ended December 31, 2017 totaled \$254,602.

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

City Court administers a single employer defined benefit healthcare plan (the Plan) through the Parish's Group Insurance Fund. The Plan provides for the payment of medical, dental and life insurance premiums for eligible employees, retirees and their dependents. For employees retiring before January 1, 2005 City Court funds the entire premium for all benefits on employees retiring with at least ten years of service upon retiring from the formal retirement systems.

City Court employees retiring on or after January 1, 2005 and before January 1, 2014 with at least ten years of permanent full-time creditable service with City Court shall be eligible to participate in the Plan under the following vesting Schedule: 11 to 15 years of service, 2.75% per year; 16 to 20 years of service 41.25% plus 3.75% per year of service; 21 years or more of service, 60% plus 5% per year of service, limited to 85% of the premium.

Employees hired after December 31, 2013 with at least 30 years of permanent full-time creditable service, age 55 and 5 years of participation in City Court's group health insurance plan immediately prior to retirement shall be eligible to participate in the Plan with benefits limited to 80% of premiums.

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

A retired employee may provide dependent hospitalization coverage at applicable dependent rates. City Court does not issue a publicly available financial report on the Plan.

Funding Policy

City Court fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2017, City Court paid \$49,012 for the retirees' current year premiums.

Annual OPEB Cost and Net OPEB Obligation

City Court's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table on the following page shows the components of City Court's annual OPEB cost for the year, the premiums actually paid and changes in City Court's net OPEB asset.

Annual required contributions (ARC)	\$ 150,855
ARC Adjustment	(44,193)
Interest on OPEB obligation	43,294
Annual OPEB cost (expense)	<u>149,956</u>
Contributions made	<u>(43,135)</u>
Increase in net obligations	106,821
Balance - beginning of the year	<u>802,248</u>
Balanace - end of the year	<u><u>\$ 909,069</u></u>

City Court's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of December 31, 2017 are as presented on the following page:

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	95,179	8.25%	\$ 715,437
12/31/2016	144,670	39.99%	802,248
12/31/2017	149,956	28.77%	909,069

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$2,515,845. Covered payroll for eligible employees was \$787,148 and the total UAAL represents 319.6 percent of covered payroll.

Actuarial valuations 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. Actuarially determined amounts 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, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

In January 1, 2016 actuarial valuations, the entry age-normal actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (discount rate), a 3.0 percent expected increase in payroll and annual medical cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years. The annual dental cost trend was initially 3.5 percent, reduced by decrements to an ultimate rate of 3.0 percent after three years. Zero trends were assumed for valuing life insurance. Other assumptions include (1) expenses per participant per month are expected to increase with inflation at 3.5 percent per annum, (2) 60 percent of employees will choose to continue basic life insurance benefits, (3) family coverage includes a spouse and no children, and (4) male spouses are three years older than females. The RPH-2014 Employee Mortality

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Table was used for pre-retirement, while post-retirement used RPH-2014 Healthy Annuitant Mortality Table. Generational with Projection Scale MP-2015 was applied to the tables. The UAAL is being amortized over an open 30 year period using the level percent of payroll method with an assumption that payroll increases by 3 percent per year. The remaining amortization period at January 1, 2016 was 21 years.

Note 8 - DEFINED BENEFIT PENSION PLANS

a) Parochial Employees' Retirement System

Plan Description. City Court contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically and other general laws of the State of Louisiana.

Eligibility. All permanent parish government employees, includes City Court, who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Benefits Provided. The System provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.0% of the member's final average compensation multiplied by the years of creditable service. For members hired prior to January 1, 2007 they may retire with full benefits at age 55 upon completing 30 years of service, at age 60 after completing 10 years of service or retire at age 65 after completing 7 years of service. For members hired after January 1, 2007 they may retire with full benefits at age 55 after completing 30 years of service, at age 62 after completing 10 years of service or at age 67 after completing 7 years of service. Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. When a member enters DROP their status changes from active to retired even

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

though they continue to work and draw their salary for up to three years. During the three year period, employer contributions continue but employee contributions cease. The election to participate in DROP is irrevocable once participation begins. Retirement benefits that would be paid, had the person ceased employment, are paid into the DROP account. Upon termination of employment a participant in DROP may receive a lump sum equal to payments into the participant's account, an annuity or a roll over to an Individual Retirement Account. Members hired before January 1, 2007 with 5 or more years of service who becomes disabled may receive retirement benefits determined in the same manner as retirement benefits. Members hired after January 1, 2007 with 7 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's years of creditable service and compensation and the dependent's relationship to the deceased member. The System provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State Legislature.

Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ending December 31, 2016, the actuarial employer contribution rate was 7.20% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2016 was 8.00%.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Contributions to the System from City Court were \$61,104 for the year ended December 31, 2017. Contribution rates for the year ended December 31, 2017 was 8.00% for employers and 3.00% for employees.

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as presented on the following page:

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

Valuation Date	January 00, 1900
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining	
Service Lives	4 years
Investment Rate of Return	7.00%, net investments expense, including inflation
Project Salary Increases	5.25% (2.50% inflation, 2.75% merit)
Mortality Rates	RP-2000 Employees Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disables annuitants.
Inflation Rate	2.50%

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing method (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates 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 rates are 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 of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35.00%	1.24%
Equity	52.00%	3.63%
Alternatives	11.00%	0.67%
Real Assets	2.00%	0.12%
Total	100.00%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Rate		7.66%

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 and non-employer contributing entities will be made at the actuarially determined contribution rates, which are in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System'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 City Court's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents City Court's proportionate share of the collective net pension liability using the discount rate of 7.00%, as well as what City Court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate as presented on the following page:

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

	1.0% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1.0% Increase <u>(8.00%)</u>
Court's proportionate share of the net pension liability	\$ 387,859	\$ 102,021	\$ (139,265)

Pension Plan Fiduciary Net Position. The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System's website, www.persla.org or on the Louisiana Legislative Auditor's website, www.la.la.gov.

b) Louisiana State Employees' Retirement System

Plan Description. The Judge for City Court is provided with a pension through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to the LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Eligibility. All state employee, including the City Court judge, become members of LASERS' Defined Benefit Plan (DBP) as condition of employment, unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected official, including the City Court judge, and officials appointed by the Governor may, at their option, become members of LASERS.

Benefits Provided. LASERS provides retirement, deferred retirement, disability and death benefits for the members. Retirement benefits are generally equal to 3.5% of the average compensation multiplied by the years of creditable service. The City Court judges elected prior to July 1, 2006, may retire with full benefits at any age after completing 30 years of creditable service or at age 60 after completing 10 years of service. City Court judges elected to office on or after July 1, 2006 and before July 1, 2015 may retire at age 60 after completing 5 years of creditable services. The age limitation increases to 62 for City Court judges elected on or after July 1, 2015. Additionally, members may choose to retire with 20 years of service at any age with an

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

actuarially reduced benefit. The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. The election to participate in DROP is irrevocable once participation begins. During participation in DROP, retirement benefits which normally would be paid are separately tracked and invested in LASERS Self Directed Plan, which offers a variety of investment options. Members with 10 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's compensation and the dependent's relationship to the deceased member. LASERS provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State legislature.

Contributions. The employer contribution rate for all employees is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Contribution requirements of active employees, 7.5% if hired before 7/1/2006 and 8% if hired after 6/30/2006, are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401). City Court's contractually required composite contribution rate for the year ended December 31, 2016 was 39.60% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contributions to the pension plan from City Court were \$57,393 for the year ended December 31, 2017.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement as presented on the following page:

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

Valuation Date	June 30, 2017																		
Actuarial Cost Method	Entry Age Normal																		
Actuarial Assumptions:																			
Expected Remaining																			
Service Lives	3 years.																		
Investment Rate of Return	7.70% per annum, net investment expenses																		
Inflation Rate	2.75% per annum																		
Mortality Rates	Non-disabled members - Mortality rates based on the RP-2000 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.																		
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 increase were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																		
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Member Type</u></th> <th style="text-align: center;"><u>Lower Range</u></th> <th style="text-align: center;"><u>Upper Range</u></th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.80%</td> <td style="text-align: center;">12.80%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.80%</td> <td style="text-align: center;">5.30%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.40%</td> <td style="text-align: center;">14.30%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.40%</td> <td style="text-align: center;">14.30%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.40%</td> <td style="text-align: center;">14.30%</td> </tr> </tbody> </table>	<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%
<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 on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments dot 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 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. 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:

Expected Long Term Real Rates of Return	
Asset Class	2017
Cash	-0.24%
Domestic Equity	4.31%
International Equity	5.35%
Domestic Fixed Income	1.73%
International Fixed Income	2.49%
Alternative Investments	7.41%
Global Asset Allocation	2.84%
Total	5.26%

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 position 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 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

Sensitivity of City Court's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents City Court's proportionate share of the collective net pension liability using the discount rate of 7.70%, as well as what City Court's proportionate share of the collective 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:

	1.0% Decrease (6.70%)	Current Discount Rate (7.70%)	1.0% Increase (8.70%)
Court's proportionate share of the net pension liability	\$ 721,278	\$ 585,636	\$ 449,791

c) Combined Balances

Pension Liabilities. At December 31, 2017, City Court reported a liability of \$687,657 for its proportionate share of the net pension liabilities. The net pension liability was measured as of December 31, 2016 and June 30, 2017 for PERS and LASERS, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. City Court's proportion of the net pension liability was based on a projection of City Court's long-term share of contributions to each pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, City Court's proportion of PERS' net pension liability was 0.785339%, which was an increase of 0.010321% from its proportionate share measured as of December 31, 2015. As of June 30, 2017 City Court's proportionate share of LASERS' net pension liability was 0.00816% which is an increase of 0.00264% to its proportionate share as of June 30, 2016.

Pension Expense. For the year ended December 31, 2017, City Court recognized pension expense of \$310,868.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as presented on the following page:

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

c) Combined Balances (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (39,228)
Net different between expected earnings on investments and actual	133,450	-
Change in assumptions	14,171	-
Change in proportion	188	(1,971)
Change in net pension liability due to change in proportion	33,831	-
Change in proportionate share of contributions	-	(57)
Contributions subsequent to the measurement date	92,052	-
	\$ 273,692	\$ (41,256)

City Court reported \$92,052 as deferred outflows of resources related to pensions resulting from City Court's contributions subsequent to the measurement dates and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31 st,	Amount
2018	\$ 61,129
2019	62,791
2020	31,419
2021	(14,955)
Total	\$ 140,384

Note 9 - ON-BEHALF PAYMENTS FROM TERREBONNE PARISH CONSOLIDATED GOVERNMENT

City Court recognizes as revenues and expenditures certain payments for personal services and other services and charges made by Terrebonne Parish Consolidated Government on behalf of City Court. This operating grant was agreed upon by the Parish Council and liable to increase or decrease every year due to operating budgets adopted by the Parish. As of December 31, 2017, the total operating grant revenue is as follows:

	2017
Personal Services	\$ 827,917
Other services and charges	30,039
Total	\$ 857,956

Note 10 - COMMITMENTS

In May of 2016, City Court entered into operating leases for 2 copiers. The leases are for a term of 60 months, with a trade-in option as of the 54th month, and a combined minimum lease payment of \$538.80 per month plus a per copy charge. During the year ended December 31, 2017, City Court had expenditures amounting to \$6,466 on the leased copiers. Future minimum lease payments for the copiers through the 54 month minimum lease period are as follows:

Year Ending December 31,	Amount
2018	\$ 6,465
2019	6,466
2020	6,196
Total	\$ 19,127

Note 11 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through April 23, 2018 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN

City Court of Houma

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)	Percentage of Covered Payroll ((b-a)/c)
1/1/2012	-	\$ 1,844,007	\$ 1,844,007	0.00%	\$ 814,325	226.45%
1/1/2014	-	1,515,124	1,515,124	0.00%	777,446	194.88%
1/1/2016	-	2,426,098	2,426,098	0.00%	759,068	319.62%

**SCHEDULE OF CITY COURT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

City Court of Houma

December 31, 2017

Parochial Employee's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City Court's proportion of the net pension liability	0.785340%	0.768340%	0.756950%
City Court's proportionate share of the net pension liability	\$ 102,021	\$ 137,100	\$ 63,395
City Court's covered-employee payroll	\$ 766,092	\$ 734,538	\$ 761,632
City Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.317%	18.665%	8.324%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	93.48%	99.15%

**SCHEDULE OF CITY COURT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

City Court of Houma

December 31, 2017

Louisiana State Employee's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City Court's proportion of the net pension liability	0.008160%	0.007980%	0.007890%
City Court's proportionate share of the net pension liability	\$ 585,658	\$ 638,413	\$ 551,665
City Court's covered-employee payroll	\$ 150,018	\$ 149,664	\$ 146,585
City Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll	390.392%	426.564%	376.345%
Plan fiduciary net position as a percentage of the total pension liability	62.50%	57.70%	62.70%

SCHEDULE OF CITY COURT CONTRIBUTIONS**City Court of Houma**

December 31, 2017

Parochial Employee's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 61,966	\$ 61,287	\$ 70,424
Contributions in relation to the contractually required contribution	(61,966)	(61,287)	(70,424)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Court's covered-employee payroll	<u>\$ 774,570</u>	<u>\$ 766,092</u>	<u>\$ 734,538</u>
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	9.59%

SCHEDULE OF CITY COURT CONTRIBUTIONS**City Court of Houma**

December 31, 2017

Louisiana State Employee's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 57,393 *	\$ 56,138 *	\$ 53,064
Contributions in relation to the contractually required contribution	(57,393) *	(56,138) *	(53,064)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Court's covered-employee payroll	<u>\$ 150,382</u>	<u>\$ 149,664</u>	<u>\$ 146,585</u>
Contributions as a percentage of covered-employee payroll	38.16%	37.51%	36.20%

* Includes on-behalf payments from Terrebonne Parish Consolidated Government and the State of Louisiana.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY
HEAD OR CHIEF EXECUTIVE OFFICER**

City Court of Houma

December 31, 2017

Agency Head Name: Judge Matthew Hagen

Purpose	Amount
Salary	\$ 150,382 *
Benefits - insurance	15,240 *
Benefits - retirement	57,393 *
Benefit - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursmenets	-
Travel	-
Registration fees	-
Conference travel	522
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	727
	<u>\$ 224,264</u>

* Includes on-behalf payments from the Terrebonne Parish Consolidated Government and the State of Louisiana.

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

Honorable Matthew H. Hagen, Judge
City Court of Houma
Houma, Louisiana

We have audited, in accordance with the 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 financial statements of the governmental activities and the General Fund of City Court of Houma (City Court), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City Court's basic financial statements, and have issued our report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Court'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Court's internal control. Accordingly, we do not express an opinion on the effectiveness of City Court'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 City Court'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Court'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 City Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
April 23, 2018

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

City Court of Houma

For the year ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2016.

No significant deficiencies were reported during the audit for the year ended December 31, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2016.

Section II Internal Control and Compliance Material to Federal Awards

City Court of Houma did not expend federal awards in excess of \$750,000 during the year ended December 31, 2016 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

City Court of Houma

For the year ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended December 31, 2017.

No significant deficiencies were noted during the audit for the year ended December 31, 2017.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2017.

Section II Internal Control and Compliance Material to Federal Awards

City Court of Houma did not expend federal awards in excess of \$750,000 during the year ended December 31, 2017 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

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

AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Honorable Matthew H. Hagen, Judge
City Court of Houma,
Houma, Louisiana.

We have performed the procedures described in Schedule 2, which were agreed to by the City Court of Houma (City Court) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2017. City Court's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the Association of International Certified Professional Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 2.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on these 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.

The purpose of this report is 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 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.
Certified Public Accountants

Houma, Louisiana,
April 23, 2018.

City Court of Houma
Schedule of Procedures and Associated Findings of the
Statewide Agreed-upon Procedures
For the year ended December 31, 2017

The required procedures and our findings are as follows:

Procedures performed on City Court's written policies and procedures:

1. Obtain City Court's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that City Court does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget
Performance: Obtained and read the written policy for budgeting.
Exceptions: The policy did not contain any provisions about amending the budget.
Management's response: Management will consider adding the provision above to their existing policy.
 - 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 public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Performance: Obtained and read the written policy for purchasing.
Exceptions: The policy did not contain provisions about how purchases are initiated and how vendors are added to the vendor list.
Management's response: Management will consider adding these provisions to their existing purchasing policy.
 - c) Disbursements, including processing, reviewing, and approving
Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
 - d) Receipts, including receiving, recording, and preparing deposits
Performance: Inquired of management as to a written receipts policy.
Exceptions: There was no evidence of a receipts policy maintained by City Court.
Management's response: Management will consider drafting a receipts policy that contains the provisions listed above.

Procedures performed on City Court's written policies and procedures: (Continued)

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- Performance: Inquired of management as to a written payroll/personnel policy.
Exceptions: There was no evidence of a written payroll/personnel policy maintained by City Court.
Management's response: Management will consider drafting a payroll/personnel policy that contains the provisions listed above.
- 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
- Performance: Inquired of management as to a written contracting policy.
Exceptions: There was no evidence of a contracting policy maintained by City Court.
Management's response: Management will consider drafting a contracting policy with the provisions listed above.
- 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
- Performance: Inquired of management as to a written credit card policy.
Exceptions: There was no evidence of a credit card policy maintained by City Court.
Management's response: Management will consider drafting a credit card policy with the provisions listed above.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- Performance: Obtained and read the written policy for travel and expense reimbursement.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- 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.
- Performance: Inquired of management about ethics policy for City Court.
Exceptions: There was no evidence of an ethics policy maintained by City Court.
Management's response: Management will consider drafting an ethics policy that contains the provisions listed above.

Procedures performed on City Court's written policies and procedures: (Continued)

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

Performance: Inquired of management as to a debt service policy.

Exceptions: Management confirmed there was no policy for debt service.

Management's response: Management will consider drafting such a policy.

Procedures performed on City Court's board:

- 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.

Performance: City Court is not required to have a Board; therefore, no meetings are held and no minutes are recorded.

Exceptions: Not applicable.

Management's response: Not applicable.

- 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 the entity's prior audit (GAAP-basis).

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

- 1) 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.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

Procedures performed on City Court's board: (Continued)

- 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.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable

Procedures performed on City Court's bank reconciliations:

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

4. Using the listing provided by management, select all of City Court's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Performance: Obtained monthly bank reconciliations for the account tested. Inspected management's documentation for accuracy of bank reconciliations.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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; and

Performance: Inspected City Court's documentation for each monthly bank reconciliation for all four accounts tested. The Court Administrator opens and reviews bank statements as documented by initials and date.

Exceptions: There was no written evidence that a member of management reviewed/approved bank reconciliations.

Management's response: Management will add written evidence of the individual who is required to approve bank reconciliations.

Procedures performed on City Court's bank reconciliations: (Continued)

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Performance: Inspected documents for items outstanding for more than 6 months. There were several outstanding checks for 3 of the 4 bank accounts tested that were more than 6 months outstanding as of the end of the fiscal period. Inquired of client about research conducted on these long outstanding items.

Exceptions: Research is typically performed through verbal communication with payee; therefore, City Court does not have written documentation that research was conducted.

Management's response: Management will begin creating a call log with dates and times research is conducted for each outstanding check.

Procedures performed on City Court's collections:

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

Performance: Observed the listing of cash/check/money order (cash) collection locations from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Using the listing provided by management, select all of City Court'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 5 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.

Performance: Inquired of client as to all of the requirements listed above. City Court collects monies at the main building with actual tellers at 3 different windows: Juvenile, Criminal, and Civil. The individuals responsible for collecting cash are not responsible for depositing cash in the bank, recording the related transactions, or reconciling the related bank account. Individuals also no have share a cash drawer.

Exceptions: There are ten employees who can collect cash; however, only three of those tellers are actually bonded.

Procedures performed on City Court's collections: (Continued)

Management's response: Management will consider adding the cash receiving employees to the list of bonded employees.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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.

Performance: Inspected policy manual, as well as daily collection logs, general ledger transactions, and reconciliation reports.

Exceptions: There are adequate controls to separate employees who receive, record, and reconcile receipts.

Management's response: Not applicable.

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

- 1) Using City Court'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.

Performance: Determined the highest collection week for each of the four funds of City Court and obtained collection documentation, deposits, and bank statements and traced collections to the deposit date on the bank statement.

Exceptions: Through inspection of documentation and inquiry of the client, there were several instances where there was no documentary evidence of date of receipt. Therefore, it could not be determined if deposits were made within date of receipt. However, \$84,182 were recorded as receipts in the General Fund on June 30, 2017 but was reported as a deposit in the July bank statement on July 10, 2017.

Management's response: Management will verify that all cash collections have appropriate documentation of receipt date and that deposits are made within one day.

Procedures performed on City Court's collections: (Continued)

- 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.

Performance: Inspected City Court's daily collection reports, summary of deposits for each deposit, and the deposit receipt from the bank. Noted that all collections tested were supported by adequate documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether City Court has a process specifically defined (identified as such by City Court) 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.

Performance: Inquired of management as to separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments):

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

Performance: Obtained the completed general ledger for the fiscal period and obtained management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity 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:

- 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.

Procedures performed on City Court's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

Performance: Randomly selected 25 disbursements from the General Fund check register.

Exceptions: There was no documentary evidence that purchase orders or other authorizing documents were utilized on any of the selected transactions.

Management's response: Management will consider using a formal, written purchase order/requisition system.

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

Performance: Inspected documentation and inquired of management as to purchase approval process.

Exceptions: There was no documentary evidence management approvals of the purchase prior to making the purchase were secured.

Management's response: Management will consider using a formal, written purchase order/requisition system.

- c) Payments for purchases were not processed without (1) 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.

Performance: Inspected documentation and inquired of management as to the processing of payments.

Exceptions: There were 16 instances where receipt of goods or services (signature of the individual receiving goods) were not documented.

Management's response: Management will consider requiring all invoices to be paid include documentary evidence of receipt of goods.

10. Using City Court'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 City Court's purchasing/disbursement system.

Performance: Inspected policy and inquired of management as to separation of duties.

Exceptions: The accountant and the deputy clerk have access to process checks and add vendors to the system.

Management's response: Management will consider restricting access to add vendors to individuals not responsible for processing payments.

Procedures performed on City Court's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

11. Using City Court'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.

Performance: Inspected documentation and inquired of management about signatory authority. Three individuals can sign checks, the court administrator, the accountant, and the deputy clerk. Any checks over \$200 require two signatures.

Exceptions: The accountant has the ability to initiate purchases and the accountant and the deputy clerk both have the ability to record purchases.

Management's response: Management will consider ways to mitigate the lack of segregation of duties.

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 City Court's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Performance: Inquired of management, as well as observed where the supply of unused checks is held. All unused checks are maintained in a locked file cabinet in the accountant's office. Only the accountant has a key to the cabinet.

Exceptions: The accountant has signatory authority.

Management's response: Management will consider ways to mitigate the lack of segregation of duties.

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.

Performance: Inquired of management as to whether there is a signature stamp or machine. City Court does not use a signature stamp or machine. Signed checks if not mailed the same day are kept in a locked file cabinet in the accountant's office and only the accountant has the key.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's 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.

Performance: Observed the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 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:

- 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.

Performance: Obtained all monthly statements for all active credit cards, bank debit cards, fuel cards, and P-cards and observed for supporting documentation for review and approval.

Exceptions: The accountant reviews and determines appropriate expense account; however, there is no documentary evidence of approval of transactions by someone other than the card holder.

Management's response: Management will consider having an individual other than the card holder approve transactions.

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

Performance: Traced all credit card payments and balances on the credit card statements in order to note if any fees were applied to balances. The American Express account had an additional fee applied during the fiscal year for annual membership.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

**Procedures performed on City Court's credit cards, debit cards, fuel cards, p-cards:
(Continued)**

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

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

Performance: Traced transactions on each card and inquired of management about original itemized receipts.

Exceptions: There were 4 transactions on the June American Express statement tested that were not supported by an original itemized receipt.

Management's response: Management will continue to collect original itemized receipts and verify that all transactions on each monthly statement are supported by a receipt.

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

Performance: Obtained the highest monthly statement for each account and observed for documentation of the business/public purpose.

Exceptions: No exceptions noted.

Management's response: Not applicable.

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

Performance: Inquired of management about written credit card policy.

Exceptions: There was no credit card policy in place during fiscal year 2017 to determine if other documentation was required.

Management's response: Management will consider drafting a credit card policy.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to City Court'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) and report any exceptions.

Performance: Obtained the highest monthly statement for each account and compared to City Court's purchasing/disbursement policy and the Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on City Court's credit cards, debit cards, fuel cards, p-cards:
(Continued)**

- c) For each transaction, compare City Court'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.

Performance: Obtained the highest monthly statement with original itemized receipts and compared them to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's travel and expense reimbursements:

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.

Performance: Obtained a list of all travel and related expense reimbursements.

Management's representation of the listing was confirmed in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

18. Obtain City Court'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) and report any amounts that exceed GSA rates.

Performance: Management's travel and expense policy references the Louisiana State Travel Guide rates which comply with GSA rates.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on City Court's travel and expense reimbursements:
(Continued)**

19. Using the listing or general ledger from #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 City Court does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Performance: Selected the three employees who incurred the most travel costs during the fiscal year to further select the highest travel expenditure reimbursed. Compared the expense documentation to the applicable rates.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether each expense is supported by:

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

Performance: Trace expense to the original itemized receipt.

Exceptions: There was no evidence (beginning and ending odometer reading, the number of miles traveled, and a printout of route with number of miles) to support the reimbursement of two mileage transactions incurred by the two different individuals.

Management's response: Management will verify that the requirements listed above for mileage are included with expense reimbursement request.

- 2) Documentation of the business/public purpose.

Performance: Traced expense to the original itemized receipt. Business purpose was documented on the travel expense report.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected all documents provided for all travel reimbursements selected.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on City Court's travel and expense reimbursements:
(Continued)**

- c) Compare City Court'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.

Performance: Inspected the business/public purpose of all travel reimbursements selected and compared them to Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected documentation of travel expenditures selected for review and approval signature.

Exceptions: It was noted that each travel expense report has a line for employee and supervisor to approve. However, for all items tested, there was no evidence of approval by a supervisor.

Management's response: Management will verify that a supervisor approve each travel expense transactions.

Procedures performed on City Court's 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.

Performance: Observed the listing of contracts in effect during the fiscal year from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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 auditor). Obtain the related contracts and paid invoices and:

Procedures performed on City Court's contracts: (Continued)

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

Performance: Obtained the listing of contract vendors and inspected the written contract that supports the services arrangement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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 City Court complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Performance: Inspected supporting documentation and inquired of client about any contracts subject to Louisiana Public Bid Law. None of the contracts were subject to Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 2) If no, obtain supporting contract documentation and report whether City Court solicited quotes as a best practice.

Performance: Inspected supporting documentation and inquired of client about contracts. None of the contracts were subject to Louisiana Public Bid Law. These contracts also did not require obtaining additional quotes.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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.

Performance: Inspected contract and inquired of client about any amendments to contracts during the fiscal year. There were no contract amendments.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's contracts: (Continued)

- 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.

Performance: Inspected the invoice and compared to the written contract information.

The invoice and related payment complied with the terms of the contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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).

Performance: Inspected contract documentation. All were approved by the Court Administrator.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's payroll and personnel:

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

Performance: Observed the listing of employees with their related salaries from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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.

Performance: Compared hourly rates to the employer's pay rate listing with payments made to employees during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's 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.

Performance: Traced the hourly pay rates to the employer's pay rate listing. For the five employees selected, there were no pay rate changes during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

Performance: Randomly selected one pay period to test leave taken during that period.

Inspected all daily attendance and leave records for proper documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected time sheets for the pay period selected. Each employee signs his or her own time sheet and then his or her immediate supervisor is required to sign time sheet. Vacation requests are submitted and approved before any vacation can be taken by the employee.

Exceptions: Two employees' time sheets were not signed by the appropriate supervisor.

Management's response: Management will continue to have immediate supervisor approved time sheets and will verify approval before payroll can be processed.

- c) Report whether there is written documentation that City Court maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Performance: Inquired and confirmed the City Court maintains written leave records for each employee eligible for paid leave.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's 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.

Performance: Inquired and inspected list of employees that terminated during the period. Management's representation of completeness was completed in a separate letter. Only 1 employee terminated during the fiscal year. Obtained the personnel file and traced to the employee's final written leave records and daily attendance records. All termination payments were approved by the court administrator and were made in strict accordance with the personnel policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

25. 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.

Performance: Inspected payroll reporting forms, as well as cancelled checks to confirm that all payments were submitted to the applicable agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on City Court's ethics:

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether City Court maintained documentation to demonstrate that required ethics training was completed.

Performance: Observed the ethics course completion certificates for the five employees tested.

Exceptions: There were no exceptions noted.

Management's response: Management will require that all summer camp workers undergo yearly ethics training.

Procedures performed on City Court's ethics: (Continued)

27. Inquire of management whether any alleged ethics violations were reported to City Court 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 City Court's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Performance: Inquired of management of any ethics violations, none were noted.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on City Court's debt service:

28. If debt was issued during the fiscal period, obtain supporting documentation from City Court, and report whether State Bond Commission approval was obtained.

Performance: Inquired of management as to issuance of debt during the fiscal year. No debt was issued during the fiscal year.
Exceptions: Not applicable.
Management's response: Not applicable.

29. If City Court had outstanding debt during the fiscal period, obtain supporting documentation from City Court and report whether City Court made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Performance: City Court did not have any outstanding debt during the fiscal period.
Exceptions: Not applicable.
Management's response: Not applicable.

30. If City Court 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.

Performance: Not applicable.
Exceptions: Not applicable.
Management's response: Not applicable.

Other procedures performed on City Court:

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether City Court reported the misappropriation to the legislative auditor and the commission attorney of the parish in which City Court is domiciled.

Performance: Inquired of management of any misappropriations of public funds or assets, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

32. Observe and report whether City Court 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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inquired and observed such notice posted on the premises and on the website.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected all procedures, and the results of such procedures and compared them to management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.