

**NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND**

BATON ROUGE, LOUISIANA

JUNE 30, 2018



TWRU

CPAs & Financial Advisors

TABLE OF CONTENTS

Independent auditor's report	i – iii
Required supplementary information:	
Management's discussion and analysis	1 – 7
Basic financial statements:	
<u>Statements</u>	
<i>Government-wide financial statements:</i>	
1 Statement of net position	8
2 Statement of activities	9
<i>Fund financial statements:</i>	
3 Balance sheet – governmental funds	10 – 11
4 Statement of revenues, expenditures, and changes in fund balances – governmental funds	12 – 13
5 Statement of fiduciary net assets	14
Notes to basic financial statements	15 – 41
Required supplementary information:	
<u>Exhibits</u>	
1 Budgetary comparison schedule – general fund, indigent transcript fund, and drug treatment fund	42 – 43
2 Budgetary comparison schedule – commissioners' fund	44
Notes to required supplementary information on budgetary accounting and control	45 – 46
3 Other post employment benefits plan retiree health and dental insurance programs – schedules of funding progress and employer contributions	47
4 Schedule of proportionate share of the net pension liability	48
5 Schedule of pension contributions	49
Notes to required supplementary information on pensions	50
6 Schedule of compensation, benefits, and other payments to agency heads	51
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 <i>Government Auditing Standards</i>	52 – 53
Schedule of findings and responses	



INDEPENDENT AUDITOR'S REPORT

To the Honorable Judges
Nineteenth Judicial District Court
Judges Expense Fund
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court-Judges Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Judicial Expense Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial Court-Judges Expense Fund, as of June 30, 2018, and the respective changes in financial position thereof 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 on pages 1-7, Exhibits 1 and 2, budgetary comparison schedules, Exhibit 3, schedule of funding progress and employer contributions of other post employment benefit plans, Exhibit 4, schedule of proportionate share of the net pension liability, and Exhibit 5, schedule of pension contributions, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head Exhibit 6 on page 51 is required by the Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and were 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 audits 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 financial statements of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the Nineteenth Judicial District Court-Judges Expense Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Nineteenth Judicial District Court-Judges Expense Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nineteenth Judicial District Court-Judges Expense Fund's internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 27, 2018

REQUIRED SUPPLEMENTAL INFORMATION



TWRU
CPAs & Financial Advisors



NINETEENTH JUDICIAL DISTRICT

EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Nineteenth Judicial District Court – Judicial Expense Fund (the JEF) provides an overview of the JEF's activities for the year ended June 30, 2018. Please read it in conjunction with the JEF's financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- The JEF experienced an increase in total net position deficit of approximately \$1,038,000, or approximately a 5% deficit increase from the prior year.
- During the year, expenses exceeded revenue generated for governmental programs by approximately \$1,188,000. Last year expenses exceeded revenues by approximately \$1,725,000.
- Total cost of all the JEF's programs for the current year decreased by approximately \$463,000, and total revenues increased by approximately \$75,000.
- The general fund reported a deficit of revenue over expenditures this year of approximately \$286,000. This is a increase from last year's deficit which was approximately \$12,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 - 9) provide information about the activities of the JEF as a whole and present a longer-term view of the JEF's finances. Fund financial statements (on pages 10 - 14) tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the JEF's operations in more detail than the government-wide statements by providing information about both of the JEF governmental funds.

Reporting the JEF as a Whole

Our analysis of the JEF as a whole begins on page 8. We believe the key question regarding JEF finances to be, “Is the JEF as a whole better or worse as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the JEF as a whole, and about its activities, in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the JEF’s net position and changes in them. You can think of the JEF’s net position—the difference between assets and liabilities—as one way to measure the JEF’s financial health, or financial position. Over time, increases or decreases in the JEF’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as number of cases handled by District Court as well as the number of judgeships approved by the State Legislature and the State’s economic condition to better assess the overall health of the JEF.

Currently, the JEF has only governmental activities that provide for personnel, equipment, supplies and other costs related to the proper administration of District Court. Primarily, court costs and fines finance these activities.

Reporting the JEF’s Funds

Our analysis of the JEF’s funds begins on page 10. The fund financial statements provide detailed information about the JEF’s funds, not the JEF as a whole. In addition to accounting for the fees for court costs, fines; appropriations from East Baton Rouge City – Parish, East Baton Rouge Clerk of Court and the Louisiana Supreme Court; and other revenues that finance activities of the District Court, the JEF also accounts for the appropriation received from the Louisiana Supreme Court to administer the Commissioners’ offices. Fees collected for the preparation of transcripts for indigent defenders are maintained in a separate special revenue fund in accordance with LA R. S. 13:965. The General Fund, the Commissioners’ Fund, and the Indigent Transcript Fund are governmental funds that focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures only cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the JEF’s operations and the services it provides. Governmental fund information helps you determine the amount of financial resources available to be spent in the near future to finance the JEF’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

THE JEF AS A WHOLE

The JEF's net position deficit increased by approximately \$1,038,000 from \$20,174,000 to \$21,212,000 primarily due to the JEF's operating expenses including provisions for pension cost and other post retirement benefits exceeding the collection of fines, fees and intergovernmental revenues.

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the JEF's governmental activities.

Table 1
Net Position

	2018	2017	Increase (Decrease)	
			Amount	Percent
Current and other assets	\$ 2,523,980	\$ 2,897,297	\$ (373,317)	(13) %
Capital assets	70,560	38,470	32,090	83
Total assets	<u>2,594,540</u>	<u>2,935,767</u>	<u>(341,227)</u>	(12)
Deferred Outflows of Resources	<u>3,168,964</u>	<u>4,954,299</u>	<u>(1,785,335)</u>	(36)
Current liabilities	865,826	880,553	(14,727)	(2)
Long term liabilities	25,756,931	26,431,220	(674,289)	(3)
Total liabilities	<u>26,622,757</u>	<u>27,311,773</u>	<u>(689,016)</u>	(3)
Deferred Inflows of Resources	<u>1,218,940</u>	<u>751,583</u>	<u>467,357</u>	
Net position:				
Invested in capital assets	70,560	38,470	32,090	83
Restricted by external legal constraints	661,847	723,541	(61,694)	(9)
Unrestricted deficit	<u>(21,944,774)</u>	<u>(20,935,301)</u>	<u>(1,009,473)</u>	5
Total net position deficit	<u><u>\$ (21,212,367)</u></u>	<u><u>\$ (20,173,290)</u></u>	<u><u>\$ (1,039,077)</u></u>	5 %

Unrestricted net position deficit is the part of net assets that can be used to finance day-to-day operations without constraints established by other legal restrictions. Unrestricted net position at year end reflects a deficit of approximately \$ 21,945,000 due to the adoption of GASB Statement Numbers 68 and 71, which represents an increase from the prior year by approximately \$1,009,000.

The JEF's total revenues increased by approximately 1% or \$75,000 from the prior year, and the total cost of all programs and services decreased by approximately \$463,000.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is provided. Of particular interest is its format that is significantly different than that of the typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net

revenue or expense. The reason for this kind of format is to highlight the relative financial burden of each of the governmental functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Fees in the form of court costs and fines represent the majority of the revenues reported for the District Court's function.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Revenues				
Fees and fines	\$ 2,045,848	\$ 2,134,000	\$ (88,152)	(4) %
Intergovernmental	6,697,491	6,645,849	51,642	1
Charges for services	122,182	182,547	(60,365)	(33)
Non-Employer Pension Contributions	262,581	283,418	(20,837)	(7)
Interest	5,116	4,946	170	3
Other	<u>14,683</u>	<u>227,237</u>	<u>(212,554)</u>	<u>(94)</u>
Total revenues	<u>9,147,901</u>	<u>9,477,997</u>	<u>(330,096)</u>	<u>(3)</u>
Program expenses				
District Court	9,748,003	10,680,682	(932,679)	(9)
Commissioners'	<u>438,975</u>	<u>522,027</u>	<u>(83,052)</u>	<u>(16)</u>
Total expenses	<u>10,186,978</u>	<u>11,202,709</u>	<u>(1,015,731)</u>	<u>(9)</u>
Increase in net position deficit	<u><u>\$(1,039,077)</u></u>	<u><u>\$ (1,724,712)</u></u>	<u><u>\$ 685,635</u></u>	<u><u>(40) %</u></u>

THE JEF'S FUNDS

As the JEF completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$1,593,000, which is \$347,000 less than last year's total of \$1,940,000.

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to the prior year.

Table 3
General Fund Revenues and Expenditures

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Revenues				
Fees and fines	\$ 1,927,125	23 %	\$1,991,164	23 %
Intergovernmental	6,342,784	73	6,300,760	73
Charges for services	132,182	2	173,743	2
Interest	5,116	-	4,946	-
Other	<u>14,826</u>	<u>-</u>	<u>227,237</u>	<u>2</u>
Total revenues	<u>8,422,033</u>	<u>100</u>	<u>8,697,850</u>	<u>100</u>
Expenditures				
District Court	8,811,114	100	8,836,256	100
Capital outlay	<u>48,996</u>	<u>-</u>	<u>21,244</u>	<u>-</u>
Total expenditures	<u>8,860,110</u>	<u>100</u>	<u>8,857,500</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures before transfers	(438,077)		(159,650)	
Transfers	<u>152,410</u>		<u>147,972</u>	
Excess (deficiency) of revenues over expenditures after transfer	<u>\$ (285,667)</u>	<u>100 %</u>	<u>\$ (11,678)</u>	<u>100 %</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Each year the Court projects budgeted revenues based on the prior year collections. The major revenue variances for the year ending June 30, 2018 were as follows: The LA Supreme Court decreased funding to the Drug Court Program by \$25,000 in 2017 and the 2017 budget only restored \$9,000 of the Commissioner's fund which was cut by \$115,000 in 2016 due to the State budget crisis. The 19th JDC has not fully recovered from the flood of August 2016, as the amount of criminal cases has decreased each year since the flood, and so has the corresponding court's fees. Decreased funding from the State of Louisiana and reduced court revenue resulted in actual revenue to be less than budgeted by approximately \$330,000. The court's operating expenses were approximately \$300,000 less than budgeted.

Capital equipment purchases increased by approximately \$28,000 in 2018 compared to \$15,000 in 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the JEF had \$314,000 invested in capital assets including computer equipment and office renovations. (See Table 4 below.) This represents a net decrease of \$37,000 from last year. Capital additions totaled approximately \$49,000 for the fiscal period.

Table 4
Capital Assets at Year-end

	<u>2018</u>	<u>2017</u>
Computer equipment, including software	\$190,404	\$234,747
Other office equipment	91,269	83,853
Furniture and fixtures	27,983	27,983
Office renovations	<u>3,964</u>	<u>3,964</u>
Totals	<u>\$313,620</u>	<u>\$350,547</u>

Debt

At year-end, the JEF had approximately \$10,033,000 in net other post retirement benefit obligations, which represents future liabilities for employees to continue to participate in the health, dental and life insurance programs upon and during retirement. This represents roughly an eight percent increase from the prior year. The JEF also had an estimated \$546,000 for accrued compensated absences that represents the future liability for vacation earned but not used by District Court employees. This is a decrease of twenty-nine percent from last year. In addition, the JEF has a net pension liability of approximately \$14,355,000 which represents a fourteen percent decrease from last year. (See Table 5 below)

Table 5
Outstanding Debt at Year-end

	<u>2018</u>	<u>2017</u>
Net other post retirement obligations	\$ 10,032,945	\$ 9,309,029
Accrued compensated absences	321,224	454,028
Net Pension Liability	<u>14,354,667</u>	<u>16,709,945</u>
	<u>\$ 24,708,836</u>	<u>\$ 26,473,002</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City-Parish of East Baton Rouge funds most of the District Court operations. The annual budget adopted by the City-Parish for 2018 largely remained unchanged from its prior year appropriation. This budget includes funding for salaries, retirement contributions, medical, dental, post employment benefits and some basic office expenses. The Court grants *all eligible employees* a three percent merit raise each year. The Court anticipates a substantial increase from the City-Parish of East Baton Rouge funding for 2019, approximately \$300,000 for salaries and retirement. Revenue collection should increase slightly in the upcoming fiscal year due to the Supreme Court's Commissioner Office increased funding for 2018. Expenses are projected to be 2%-3% higher than 2018 due to increased employee wage and benefit cost. The increased funding from the City of Baton Rouge should offset any additional expenditures and balance the JEF budget for 6/30/19.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the JEF's finances and to show the JEF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Judicial Administrator's Office at 300 North Blvd., Suite 3606, Baton Rouge, Louisiana.



Gordon Gagliano, CPA
Director of Finance

BASIC FINANCIAL STATEMENTS

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF NET POSITION**

June 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash, including time deposits	\$ 2,241,626
Accounts receivable (net)	51,778
Receivable from other governments	196,602
Other	33,974
Total current assets	2,523,980
Noncurrent assets:	
Capital assets, net of depreciation	70,560
Total assets	2,594,540
 DEFERRED OUTFLOWS OF RESOURCES	 3,168,964
 LIABILITIES	
Current liabilities:	
Accounts payable	44,688
Payroll withholdings & payable	410,299
Accrued compensated absences	42,390
Unearned Revenues	368,449
Total current liabilities	865,826
Noncurrent liabilities:	
Accrued compensated absences	503,493
Other post employment benefit obligation	10,032,945
Net Pension Liability	14,354,667
Total liabilities	25,756,931
 DEFERRED INFLOWS OF RESOURCES	 1,218,940
 NET POSITION	
Net investment in capital assets	70,560
Restricted by external legal constraints	661,847
Unrestricted	(21,944,774)
Total net position deficit	\$ (21,212,367)

See accompanying notes to the basic financial statements.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF ACTIVITIES**
Year ended June 30, 2018

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense)</u>
Functions/Programs					
Governmental activities:					
District Court	\$ 9,748,003	\$ 2,167,887	\$ 6,605,365	\$ -	\$ (974,751)
Commissioners'	438,975	-	354,707	-	(84,268)
Total governmental activities	<u>\$ 10,186,978</u>	<u>\$ 2,167,887</u>	<u>\$ 6,960,072</u>	<u>\$ -</u>	<u>(1,059,019)</u>
General revenues:					
Interest					5,116
Other					14,826
Total general revenues					<u>19,942</u>
Change in net position					(1,039,077)
Net position deficit - beginning of year					<u>(20,173,290)</u>
Net position deficit - end of year					<u>\$ (21,212,367)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash, including time deposits	\$ 2,169,611	\$ 72,015	\$ -	\$ 2,241,626
Accounts receivable (net)	20,251	-	-	20,251
Receivable from other governments	190,503	-	6,099	196,602
Due from other funds	<u>135,689</u>	<u>4,143</u>	<u>735,145</u>	<u>874,977</u>
Total assets and other debits	<u>\$ 2,516,054</u>	<u>\$ 76,158</u>	<u>\$ 741,244</u>	<u>\$ 3,333,456</u>
LIABILITIES				
Accounts payable	\$ 44,689	\$ -	\$ -	\$ 44,689
Payroll Withholdings & payable	394,575	15,723	-	410,298
Due to other funds	735,145	135,689	4,143	874,977
Accrued compensated absences	42,390	-	-	42,390
Unearned Revenue	<u>368,449</u>	<u>-</u>	<u>-</u>	<u>368,449</u>
Total liabilities	<u>1,585,248</u>	<u>151,412</u>	<u>4,143</u>	<u>1,740,803</u>
FUND BALANCES				
Restricted:				
Special Revenue Funds	-	(75,254)	737,101	661,847
Unassigned	<u>930,806</u>	<u>-</u>	<u>-</u>	<u>930,806</u>
Total fund balances	<u>930,806</u>	<u>(75,254)</u>	<u>737,101</u>	<u>1,592,653</u>
Total liabilities and fund balances	<u>\$ 2,516,054</u>	<u>\$ 76,158</u>	<u>\$ 741,244</u>	<u>\$ 3,333,456</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2018

Total governmental fund balances		\$	1,592,653
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			70,560
Receivables that are not available to pay current period expenditures and therefore are not reported in the funds.			31,527
Some expenditures reported in the funds benefit a future period and are not reported as governmental activities of the current period.			33,974
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds			
Accrued compensated absences	\$	(503,493)	
Other post retirement benefits		<u>(10,032,945)</u>	(10,536,438)
Net pension obligation balances in accordance with GASB 68			
Deferred outflow of resources - deferred pension contributions	\$	3,168,964	
Net pension liability		(14,354,667)	
Deferred inflow of resources - related to net pension liability		<u>(1,218,940)</u>	<u>(12,404,643)</u>
Net position of governmental activities			\$ <u>(21,212,367)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year ended June 30, 2018

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
REVENUES				
Fees and fines	\$ 1,927,125	\$ -	\$ 118,723	\$ 2,045,848
Intergovernmental	6,342,784	354,708	-	6,697,492
Charges for services	132,182	-	-	132,182
Interest	5,116	-	-	5,116
Other	14,826	-	-	14,826
Total revenues	<u>8,422,033</u>	<u>354,708</u>	<u>118,723</u>	<u>8,895,464</u>
EXPENDITURES				
Current operations:				
District Court	8,811,114	-	-	8,811,114
Commissioners'	-	382,715	-	382,715
Capital expenditures	48,996	-	-	48,996
Total expenditures	<u>8,860,110</u>	<u>382,715</u>	<u>-</u>	<u>9,242,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(438,077)</u>	<u>(28,007)</u>	<u>118,723</u>	<u>(347,361)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	152,410	-	-	152,410
Operating transfers out	-	-	(152,410)	(152,410)
Total other financing sources (uses)	<u>152,410</u>	<u>-</u>	<u>(152,410)</u>	<u>-</u>
Net change in fund balance	<u>(285,667)</u>	<u>(28,007)</u>	<u>(33,687)</u>	<u>(347,361)</u>
Fund balances (deficit) - beginning of year	1,216,473	(47,247)	770,788	1,940,014
Fund balances (deficit) - end of year	<u>\$ 930,806</u>	<u>\$ (75,254)</u>	<u>\$ 737,101</u>	<u>\$ 1,592,653</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2018

Net change in fund balances - total governmental funds	\$	(347,361)
--	----	-----------

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		32,091
---	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		10,142
---	--	--------

Expenses reported in the statement of activities in the current period and reported as expenditures of governmental funds in the previous period.		3,330
---	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	\$ 91,135	
Net post employment benefit obligation	<u>(723,916)</u>	(632,781)

Change in net position liability and deferred inflows and outflows in accordance with GASB 68		<u>(104,498)</u>
---	--	------------------

Change in net assets of governmental activities	\$	<u>(1,039,077)</u>
---	----	--------------------

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Due from other governments	\$ 9,331
Total assets and other debits	<u>\$ 9,331</u>
LIABILITIES	
Due to other governments	\$ 9,331
Total liabilities	<u>\$ 9,331</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nineteenth Judicial District Court Judicial Expense Fund (Judicial Expense Fund) (JEF) was created to account for the operations of the Nineteenth Judicial District Court.

Financial reporting entity

The Nineteenth Judicial District Court Expense Fund was established by a legislative act effective June 30, 1969. The act provides for the collection of fees in the form of court costs and fines, and provides for court reporters and such secretarial, clerical, research, administrative or other personnel as are deemed necessary to expedite the business and functions of the court. The Fund may also be used to pay for establishing and maintaining a law library, equipment, supplies and any other costs or expenses related to the proper administration of the court, except for the payment of judges' salaries.

The offices of Commissioner of the Nineteenth Judicial District Court were created by legislative act that provides for the appointment of two commissioners whose duties are assigned by the Chief Judge. These duties include hearing and making recommendations on criminal and civil proceedings arising out of the incarceration of state prisoners. The State of Louisiana appropriates funds for equipment, supplies, and the salaries and related benefits for employees of the Commissioners.

As the governing authority of the consolidated government, the City of Baton Rouge, Parish of East Baton Rouge (City-Parish) is the financial reporting entity for the consolidated government. The financial reporting entity consists of the primary government (City-Parish), and includes all component units of which the City-Parish appoints a voting majority of the units' board; the City-Parish is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The Judicial Expense Fund is part of the operations of the district court system that is fiscally dependent on the City-Parish. The City-Parish provides directly to the court office space, courtrooms, personal services, and other supplies and services. The nature of the relationship between the Judicial Expense Fund and the district court and the City-Parish is significant. Therefore, the Judicial Expense Fund was determined to be a component unit of the City of Baton Rouge, Parish of East Baton Rouge, the financial reporting entity. The accompanying financial statements present information only on the Judicial Expense Fund maintained by the Nineteenth Judicial District Court and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation

The Judicial Expense Fund's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The entity-wide financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Government-wide financial statements – The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except for the fiduciary fund described below. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund financial statements – The financial transactions of the Judicial Expense Fund are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Judicial Expense Fund uses the governmental fund type. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The funds of the Judicial Expense Fund are described as follows:

General fund - The general fund is the general operating fund and accounts for all activities of the Judicial Expense Fund except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary fund (agency fund) – The agency fund accounts for assets held by the Judicial Expense Fund in a purely custodial capacity.

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.

Measurement focus – The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. All governmental funds utilize a current financial resources measurement focus in the fund financial statements. Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

Basis of accounting - The government-wide financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when “measurable and available.” Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Financial statement amounts

Cash, including time deposits – “Cash, including time deposits” includes all demand deposits, savings accounts, money market accounts and certificates of deposit of the Judicial Expense Fund.

Interfund receivables and payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables are eliminated in the Statement of Net Position. Details of interfund receivables and payables at year end are found in Note J.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include amounts due from the Clerk of Court and attorneys for transcript charges.

Receivables are included in the fund financial statements if they are both measurable and available. Revenues are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is computed on the straight-line basis over the following estimated useful lives:

Computer equipment, including software	5 – 10 years
Other office equipment	5 – 10 years
Furniture and fixtures	10 – 20 years
Office renovations	10 – 20 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition. Capital assets reported herein include only those assets purchased by the Judicial Expense Fund and do not reflect assets of the court obtained from other sources.

Revenues

Substantially all government fund revenues are accrued. Those revenues include filing and license fees, fines, and court costs collected by other agencies and remitted to the Judicial Expense Fund in the following month, as well as, amounts due under appropriations and grant contracts, interest and dividend revenue, transcript charges to attorneys, and drug enforcement forfeitures collected by the District Attorney and paid annually or upon request. As a grant recipient, grant receivables and revenue are recognized when the applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met are reported as deferred revenue.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Compensated absences

The annual and sick leave plan adopted by the JEF allows a maximum accumulation of 60 days of vacation leave. Certain employees hired before the current annual and sick leave plan was adopted can accumulate more than the 60 day maximum allowed under the current plan. Upon termination, employees are paid for the unused vacation leave. Sick leave is allowed to accrue and accumulate, however, such sick leave benefits are payable only upon absence from work for medical reasons. Upon termination, accumulated sick leave lapses, and no payments are made for the unused accumulations.

Certain employees of District Court may accrue up to 34.25 days of compensatory time in lieu of overtime payment. The Judicial Expense Fund pays compensatory leave up to the maximum accrual amounts upon termination, resignation, retirement or death. Whenever an employee exceeds the maximum accrual amounts, the excess is paid to the employee during the following month.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Judicial Expense Fund records a liability for 100% of the accrued vacation and compensatory time for each employee up to the respective maximums at the employees' current rate of pay. Additionally, applicable social security and Medicare costs are added to the accrued leave as computed above.

GASB Statement No. 16 requires the accrual for sick leave if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. Since the amount of accumulated sick leave lapses upon termination, no amount has been accrued.

The amounts shown in the accompanying financial statements for accrued compensated absences represent the liability for all employees of the District Court except the judges and the commissioners.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred compensation

Certain employees of the Nineteenth Judicial District Court participate in the Court's Deferred Compensation Plan or the State of Louisiana Deferred Compensation Plan. These plans were adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plans are included in the separately issued audit reports for the Plans. The Nineteenth Judicial District Court Plan audit report is available from the plan's administrator, Nationwide Retirement Solutions, and the State of Louisiana Deferred Compensation Plan is available from the State of Louisiana.

Interfund transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. All transfers between individual governmental funds have been eliminated on the statement of activities.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

Fund balances of the governmental funds are classified as follows:

Restricted – amounts that can be spent only for specific purposes under enabling legislation.

Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first, then unrestricted resources as they are needed.

Pension Plans

The JEF is a participating employer in three defined benefit pension plans (plans) as described in Note H. 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 each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within each plan.

B: CASH AND INVESTMENTS

Cash includes amounts in demand deposits and time deposits. Under state law, the Judicial Expense Fund may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

At June 30, 2018, the Judicial Expense Fund had cash (book balances) as follows:

Interest bearing demand deposits	\$ 1,445,481
Non-interest bearing demand deposits	<u>796,145</u>
	<u>\$ 2,241,626</u>

These deposits are stated at cost, which approximates fair market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are considered collateralized (Category 2) under the provisions of GASB Statement 3, which imposes a requirement that the 19th JDC has a right to demand delivery of all eligible collateral from the custodian immediately for public or private sale. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise

B: CASH AND INVESTMENTS (continued)

and sell the pledged securities within 10 days of being notified by the Judicial Expense Fund that the fiscal agent has failed to pay deposited funds upon demand.

Custodial credit risk is the risk that in the event of a bank failure, the Judicial Expense Fund's deposits may not be returned to it. The Judicial Expense Fund does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$2,087,107 of the Judicial Expense Fund's bank balance of \$2,337,107 was exposed to custodial credit risk as follows:

Uninsured collateral held by third party custodian not in 19th JDC name	<u>\$ 2,087,107</u>
---	---------------------

C: ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists mostly of amounts due from the Clerk of Court and attorneys for transcript charges. Detail of the receivables at June 30, 2018 is as follows:

Transcripts	\$ 71,323
Less allowance for doubtful accounts	<u>30,122</u>
	41,201
Other receivables	<u>10,577</u>
Accounts receivable (net)	<u>\$ 51,778</u>

The allowance for doubtful accounts was established based on historical trends and other information. At June 30, 2018, \$65,579 of the transcripts receivable were past due ninety days or more.

D: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables due at June 30, 2018 are as follows:

General fund	
East Baton Rouge Parish Sheriff	\$ 111,876
East Baton Rouge Clerk of Court	43,147
Louisiana Supreme Court	33,725
Dept of Public Safety	1,625
FEMA	130
	<u>\$ 190,503</u>
Indigent transcript fund	
East Baton Rouge Parish Sheriff	<u>\$ 6,099</u>

E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Computer equipment, including software	\$ 234,745	\$ 38,650	82,993	\$ 190,402
Other office equipment	83,853	10,346	2,930	91,269
Furniture and fixtures	27,983			27,983
Office renovations	3,964	-	-	3,964
Totals at historical cost	<u>350,545</u>	<u>48,996</u>	<u>85,923</u>	<u>313,618</u>
Less accumulated depreciation				
Computer equipment, including software	207,302	13,400	82,993	137,709
Other office equipment	77,761	2,540	2,930	77,371
Furniture and fixtures	25,361	570		25,931
Office renovations	1,651	396		2,047
Totals at historical cost	<u>312,075</u>	<u>16,906</u>	<u>85,923</u>	<u>243,058</u>
Capital assets, net	<u>\$ 38,470</u>	<u>\$ 32,090</u>	<u>\$ -</u>	<u>\$ 70,560</u>

Depreciation expense was charged to governmental activities as follows:

District Court	\$ 16,906
Commissioners'	-
	<u>\$ 16,906</u>

F: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due within One Year
Accrued Compensated Absences	\$ 454,028	\$ 91,855	\$ -	\$ 545,883	\$ 42,390
Other post employment benefit obligation	9,309,029	1,160,361	436,445	10,032,945	
Net pension liability	<u>16,709,945</u>	<u>2,599,090</u>	<u>4,954,368</u>	<u>14,354,667</u>	
Total Governmental Activitie	<u>\$ 26,473,002</u>	<u>\$ 3,851,306</u>	<u>\$ 5,390,813</u>	<u>\$ 24,933,495</u>	<u>\$ 42,390</u>

G: SALARY EXPENDITURES

The Judicial Expense Fund administers the payroll for all District Court employees excluding the judges and the commissioners. The Parish of East Baton Rouge reimburses the fund for those salaries disbursed by the fund but appropriated in the City-Parish budget. Also, the Clerk of Court reimburses the Fund for a portion of the salary of an employee who works for both the Nineteenth Judicial District Court as an Allotment Clerk and for the East Baton Rouge Parish Clerk of Court. The Clerk of Court has hired and will pay the Allotment Clerk's payroll and corresponding expenses, effective July 1, 2018.

H: PENSION PLANS

The JEF is a participating employer in three cost-sharing, multiple employer defined benefit pension plans administered by three public employee retirement systems, the Louisiana Clerks' of Court Retirement and Relief Fund (COC), the Louisiana School Employees' Retirement System (LSERS) and the Louisiana State Employees' Retirement System (LASERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees and all Systems are component units of the State of Louisiana.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

COC:
10202 Jefferson Highway
Building A
Baton Rouge, Louisiana 70809
(225) 293-1162
www.laclerksofcourt.org

LSERS:
8660 United Plaza Blvd.
Baton Rouge, LA 70804
(225) 925-6484
www.lasers.net

LASERS
8401 United Plaza Blvd.
P. O. Box 44213
Baton Rouge, Louisiana 70804-4213
(225) 925-0185
www.lasersonline.org

Effective July 1, 2014, the JEF implemented the provisions of Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the JEF to record its proportional share of each of the pension plans' Net Pension Liability and report the following disclosures:

Plan Descriptions

Louisiana Clerks' of Court Retirement and Relief Fund (COC)

The Fund was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. Title 11:1501 for eligible employees of the clerk of the supreme court, each of the district courts, each of the courts of appeal, each of the city and traffic courts in cities having a population in excess of four hundred thousand at the time of entrance into the Fund, the Louisiana Clerks' of Court Association, the Louisiana Clerks of Court Insurance Fund, and the employees of the Fund.

H: PENSION PLANS (Continued)

A member or former member shall be eligible for regular retirement benefits upon attaining twelve or more years of credited service, attaining the age of fifty-five years or more and terminating employment. Regular retirement benefits, payable monthly for life, equal $3\frac{1}{3}$ percent of the member's average final compensation multiplied by the number of years of credited service, not to exceed one hundred percent of the monthly average final compensation. Monthly average final compensation is based on the highest compensated thirty-six consecutive months, with a limit of increase of 10% in each of the last three years of measurement. For those members hired on or after July 1, 2006, compensation is based on the highest compensated sixty consecutive months with a limit of 10% increase in each of the last six years of measurement. Act 273 of the 2010 regular session applied the sixty consecutive months to all members. This Act has a transition period for those members who retire on or after January 1, 2011 and before December 31, 2012. Additionally, Act 273 of the 2010 regular session increased a member's retirement to age 60 with an accrual rate of 3% for all members hired on or after January 1, 2011.

A member leaving covered employment before attaining early retirement age but after completing twelve years' credited service becomes eligible for a deferred allowance provided the member lives to the minimum service retirement age and does not withdraw his or her accumulated contributions.

Louisiana School Employees' Retirement System (LSERS)

The Louisiana School Employees' Retirement System (LSERS) is the administrator of a cost-sharing multiple employer defined benefit pension plan. The plan provides retirement, disability, and survivor benefits to school employees as defined in LRS 11:1001. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in LRS 11:1141-1153.

Members who joined the system on or before June 30, 2010 are eligible for regular retirement benefits upon attaining 30 years of service at any age, 25 years of service and age 55, 20 years of service regardless of age with an actuarially reduced benefit, or 10 years of service and age 60. Members who joined the system after June 30, 2010 are eligible for regular retirement upon attaining at least 5 years of service and age 60 or 20 years of service regardless of age with an actuarially reduced benefit.

For members employed prior to July 1, 2006, the maximum retirement benefit is equal to $3\frac{1}{3}\%$ of the average compensation for the three highest consecutive years of service (five highest consecutive years for members employed between July 1, 2006 and June 30, 2010), subject to a 10% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2 per month for each year of service. For members employed on or after July 1, 2010, the maximum retirement benefit is equal to $2\frac{1}{2}\%$ of the average compensation for the five highest consecutive years of service, subject to a 15% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2 per month for each year of service.

Members of the System may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted.

H: PENSION PLANS (Continued)

Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the System. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account. The System maintains sub accounts within this account reflecting the credits attributed to each participant in the DROP program. Interest credited and payments from the DROP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3). Upon termination of participation in both the DROP program and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements. The System also provides for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

Members are eligible to retire and receive disability benefits if the member has attained at least 5 years of creditable service (10 years of creditable service if employed on or after July 1, 2006), if the member is not eligible for regular retirement and has become totally and permanently disabled. Disability benefits are equal to 2½% of average compensation multiplied by years of creditable service, but not less than 33⅓% of average compensation for members employed prior to July 1, 2006 and 3% of average compensation multiplied by years of creditable service for members employed between July 1, 2006 and June 30, 2010. For those employed on or after July 1, 2010 disability benefits are equivalent to the regular retirement formula without reduction by reason of age. Pursuant to LRS 11:1151, survivor benefits of up to 75% of the members salary are available for surviving spouses and minor children of members with at least five years of service.

Louisiana State Employees' Retirement System (LASERS)

The Louisiana State Employees' Retirement System (LASERS) is the administrator of a cost-sharing multiple employer defined benefit pension plan to provide retirement, disability, and survivor's benefits to eligible state employees and their beneficiaries as defined in LRS 11:401-414. The age and years of creditable service required in order for a member to receive retirement benefits are established by LRS 11:441 and vary depending on the member's hire date, employer and job classification. The substantial majority of members may retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing 10 years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The computation of retirement benefits are provided for in LRS 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of creditable service.

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins.

H: PENSION PLANS (Continued)

During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider.

The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors. Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Eligibility requirements and benefit computations for disability benefits are provided for in LRS 11:461. All members with ten or more years of creditable service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor's benefits are provided for in LRS 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Funding Policy

Under Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974, the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll.

H: PENSION PLANS (Continued)

The contribution rates in effect for the year ended June 30, 2018, for the JEF and covered employees were as follows:

	<u>JEF</u>	<u>Employees</u>
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	19.00%	8.25%
School Employees' Retirement System (LSERS)	28.00%	7.50%- 8.00%
State Employees' Retirement System (LASERS)	37.9%	7.50% - 8.00%

The contributions made to the Systems for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	\$ 395,916	\$ 419,680	\$ 471,957
School Employees' Retirement System (LSERS)	11,471	11,059	10,949
State Employees' Retirement System (LASERS)	1,086,396	1,000,021	1,016,220

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the JEF's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2017 measurement date. The JEF uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 rate. The JEF's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

H: PENSION PLANS (Continued)

	Net Pension Liability at June 30, 2017	Rate at June 30, 2017	Increase (Decrease) on June 30, 2016 rate
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	\$ 3,711,191	2.4245%	(0.2773)
School Employees' Retirement System (LSERS)	90,159	0.0140%	0.0007
State Employees' Retirement System (LASERS)	10,553,317	0.1568%	0.0089
	<u>\$ 14,354,667</u>		

The following schedule list each pension plan's recognized pension expense plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions by the JEF for the year ended June 30, 2018:

	Pension Expense	Amortization	Total
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	\$ 433,662	\$ 10,538	\$ 444,200
School Employees Retirement System (LSERS)	10,564	480	11,044
State Employees' Retirement System (LASERS)	965,675	230,947	1,196,622
	<u>\$ 1,409,901</u>	<u>\$ 241,965</u>	<u>\$ 1,651,866</u>

At June 30, 2018, the JEF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 112,391	\$ (288,922)
Changes of Assumptions	205,440	1,405
Net difference between projected and actual earnings on pension plan investments	384,318	1,410
Changes in proportion and differences between Employer contributions and proportionate share of contributions	973,052	(932,833)
Employer contributions subsequent to the measurement date	1,493,783	-
Total	<u>\$ 3,168,984</u>	<u>\$ (1,218,940)</u>

H: PENSION PLANS (Continued)

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	\$ 753,296	\$ (585,884)
School Employees' Retirement System (LSERS)	11,827	4,233
State Employees' Retirement System (LASERS)	2,403,861	(637,289)
	<u>\$ 3,168,984</u>	<u>\$ (1,218,940)</u>

The JEF reported a total of \$1,493,783 as deferred outflows of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2018. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Collections
Louisiana Clerks' of Court Retirement and Relief Fund (COC)	\$ 395,916
School Employees' Retirement System (LSERS)	11,471
State Employees' Retirement System (LASERS)	1,086,396
	<u>\$ 1,493,783</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	COC	LSERS	LASERS	Total
2019	\$ (80,218)	\$ 2,861	\$ 396,431	\$ 319,074
2020	84,494	4,584	358,856	447,934
2021	(20,311)	594	137,332	117,615
2022	(211,972)	(3,281)	(212,463)	(427,716)
	<u>\$ (228,007)</u>	<u>\$ 4,758</u>	<u>\$ 680,156</u>	<u>\$ 456,907</u>

Actuarial Assumptions

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

H: PENSION PLANS (Continued)

Clerks' of Court (COC)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	5 years
Investment Rate of Return	7.00%, net of investment expenses
Inflation Rate	2.50% per annum
Mortality	RP-2000 Employee Table (set back 4 years for males and 3 years for females) and RP-2000 Disabled Lives Mortality Table (set back 5 years for males and 3 years for females)
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2009-2014) experience study of the Systems' members.
Salary Increases	2.5% Merit
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

H: PENSION PLANS (Continued)

LSERS

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.125%, per annum
Inflation Rate	2.625%, per annum
Mortality	RP-2000 Sex Distinct Mortality Table and RP-2000 Disabled Lives Mortality Table
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2008-2012) experience study of the Systems' members.
Salary Increases	Salary increases were projected based on the 2008-2012 experience study of the Systems' members ranging from 3.075% to 5.375%.
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 present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

H: PENSION PLANS (Continued)

LASERS

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 of investment expenses

Inflation Rate 2.75%, per annum

Mortality *Non-disabled members* – Mortality rates based on the RP-2000 Combined Health 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 improvements.

Termination, Disability, and Retirement Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of the System’s members.

Salary Increases Salary increases were projected based on the 2009-2013 experience study of the System’s members. The salary increase ranges for specific types of members are:

Member Type	Lower Range	Upper range
Regular	3.8%	12.8%
Judges	2.8%	5.3%
Corrections	3.4%	14.3%
Hazardous Duty	3.4%	14.3%
Wildlife	3.4%	14.3%

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 do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

H: PENSION PLANS (Continued)

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

Clerks' of Court	LSERS	LASERS
<p>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 expenses 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. The long term expected rate of return was 7.20%, for the year ended June 30, 2016.</p>	<p>The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (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 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.</p>	<p>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 of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2016.</p>

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June.30, 2017:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	COC	LSERS	LASERS	COC	LSERS	LASERS
Cash	-	-	-	-	-	-0.24%
Fixed Income	20.00%	30.00%	14.00%	2.00%	3.14%	2.11%
Equity	55.00%	51.00%	57.00%	5.60%	7.26%	4.83%
Alternative	15.00%	13.00%	22.00%	5.00%	6.41%	7.41%
Real Assets	10.00%	6.00%	7.00%	4.50%	7.50%	2.84%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.0%</u>			

H: PENSION PLANS (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan'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. The discount rate used to measure the total pension liability for COC, LSERS and LASERS was 7.00%, 7.125% and 7.70, respectively for the year ended June 30, 2017.

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

The following table presents the JEF's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the JEF's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Clerks' of Court			
Rates	6.000%	7.000%	8.000%
Court's Share of NPL	\$ 5,679,455	\$ 3,711,191	\$ 2,040,206
LSERS			
Rates	6.125%	7.125%	8.125%
Court's Share of NPL	\$ 123,598	\$ 90,159	\$ 61,443
LASERS			
Rates	6.700%	7.700%	8.700%
Court's Share of NPL	\$ 13,248,493	\$ 10,553,317	\$ 8,261,779

H: PENSION PLANS (Continued)

Payables to the Pension Plan

The JEF recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2018 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at June 30, 2018 and 2017 is as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
COC	\$ 15,463	\$ 16,018
LSERS	446	441
LASERS	41,716	41,292
	<u>\$ 57,625</u>	<u>\$ 57,751</u>

I: OTHER POST EMPLOYMENT BENEFITS

The JEF is a component unit of the City-Parish and its employees participate in the City-Parish health benefits program. The City-Parish's other post-employment benefits plan (OPEB) is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. Although no written plan or trust currently exists or is sanctioned by law, the OPEB plan is reported based on communications to plan members.

Retirees may continue their coverage under the City-Parish's health plans in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972 and amended by Metropolitan Council Resolution 42912 adopted November 12, 2003. Based on current practices, upon retirement, a totally vested employee may continue his coverage paying the same premiums and receiving the same benefits as active employees.

If the participant meets the criteria for retirement, the government pays the following percentages of scheduled premiums:

<u>Years of Service</u>	<u>Vested Percentage</u>
Fewer than 10	25%
10 – 15 years	50%
15 – 20 years	75%
Over 20 years	100%

I: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding policy

The contribution requirements of the employees/retirees and the City-Parish and participating City-Parish employers are established in the annual City-Parish operating budget and may be amended in subsequent years. During 2017, the dental plan was funded with employees and retirees contributing 48% of the dental premium and the City-Parish contributing 52% of the dental premiums. The government's health plan is a self-insured program with a third party administrator. During 2017, employees and retirees contributed 8% - 38% of the annually adopted premium base, dependent on the type of coverage chosen and the number of family members covered. The government contributed the corresponding 62% - 92% of the premium base. Effective January 1, 2003, the employer portion of pay-as-you-go OPEB insurance premiums are allocated over all employers and funds that participate in the OPEB plan.

Annual OPEB Cost and Net OPEB Obligation

The City-Parish's annual OPEB cost (expense) was calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of Section P50 of the GASB *Codification of Government Accounting and Financial Reporting Standards*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2017, biannual actuarial valuation performed by an outside actuary consultant. These components of OPEB were allocated to the JEF based on its proportionate share of total contributions made in the previous year.

The following table shows the components of the JEF's annual OPEB cost for the year end December 31, 2017 and the amount actually contributed to the plan during the year:

Annual required contribution (ARC)	\$	372,030
Interest on net OPEB obligation		723,533
Adjustment to ARC		64,798
Annual OPEB cost (expense)		<u>1,160,361</u>
Less: Contributions made		<u>(436,445)</u>
Increase in net OPEB obligation		723,916
Net OPEB obligation-beginning of year		<u>9,309,029</u>
Net OPEB obligation-end of year	\$	<u><u>10,032,945</u></u>

I: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Trend Information for OPEB Plan:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	1,382,813	29.6%	7,394,823
12/31/2015	1,444,671	33.1%	8,360,794
12/31/2016	1,420,428	33.2%	9,309,029
12/31/2017	1,160,361	37.6%	10,032,945

Funding status and funding progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The JEF's allocated portion of the actuarial accrued liability for benefits was approximately \$18,963,919 with no valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and 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 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funding progress for the most recent valuation date is as follows:

Actuarial Valuation Date		January 1, 2017
Actuarial Accrued Liability (AAL)	\$	18,963,919
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UA \$)		<u>18,963,919</u>
Funded Ratio (Actuarial Value of Assets/AA)		0%
Covered Payroll (active plan members)	\$	3,726,607
UAAL as a percentage of covered payroll		509%

I: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was used for the January 1, 2017, actuarial valuation. Because the government currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical (and expected investment that are expected to be used in financing the payment of benefits). The actuarial assumptions included a four percent investment rate of return, compounded annually. Life expectancies were based on the Sex Distinct 2000 Combined Healthy Mortality Table projected to 2017 using Scale AA. Turnover rates were based on the government's historical data and modified based on years of employment. Probabilities of disability, retirement rates, and withdrawal rates are based on the government's historical data using probabilities for the government's retirement systems.

Both historical retiree claim costs and year 2016 retiree health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid. In addition to a general inflation rate of 2.3%, the plan assumes a medical inflation rate of 7.0% beginning in 2017, decreasing to a rate of 4.0% in 2090. The actuarial valuation also assumes that (1) seventy-five to eight-five percent of employees are assumed to elect retiree medical coverage upon retirement; (2) female spouses are assumed to be three years younger than males; (3) fifty-five percent of employees are assumed to be married at retirement and elect spouse's coverage; (4) zero percent of employees will have dependent children at retirement; (5) one hundred percent of employees will elect Medicare coverage when they are first eligible; and (6) ten percent of participants hired prior to April 1, 1986, are assumed to be ineligible for Medicare upon reaching age sixty-five. However, all spouses of retirees are assumed to be Medicare eligible upon reaching age sixty-five.

The amortization method for the plan is a level percentage of the payroll with a thirty year open amortization. The expected long-term payroll growth rate was estimated at 3.0 percent, compounded annually. The remaining amortization period at January 1, 2017, was thirty years.

Life insurance benefits

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all employees who retire after May 1, 1976 have \$5,000 of term life insurance coverage. The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account.

I: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The Judicial Expense Fund does not recognize expenditures for these life insurance benefits since they are provided by the City-Parish.

Commissioners' Office Employees

In addition to the pension benefits described in Note H, the State of Louisiana provides post-retirement health care benefits. LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the commissioners' office to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the commissioners' employees become eligible for those benefits if they reach normal retirement age while working for the Commissioners' office. Monthly premiums are paid jointly by the employees and the employer (from the Commissioners' office appropriation) for active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMO's authorized by Group Benefits.

The Judicial Expense Fund does not recognize expenditures for these benefits since they will be included in the annual appropriation from the State of Louisiana.

J: INTERFUND TRANSACTIONS

The following is a summary of amounts due from and due to other funds at June 30, 2018:

	Due to:				Total
	General Fund	Commis- sioners' Fund	Indigent Transcript Fund	Drug Treatment Fund	
<u>Due from:</u>					
General Fund	\$ -	\$ -	\$ 728,930	\$ 6,215	\$ 735,145
Commissioner's Fund	135,689	-	-	-	135,689
Indigent Transcript Fund	-	4,143	-	-	4,143
	<u>\$ 135,689</u>	<u>\$ 4,143</u>	<u>\$ 728,930</u>	<u>\$ 6,215</u>	<u>\$ 874,977</u>

Outstanding balances between funds reported as "due to/due from other funds" includes charges by one fund to another for services and/or goods outstanding at year end and are expected to be settled within the next year.

J: INTERFUND TRANSACTIONS (Continued)

The operating transfers in or out during the year ended June 30, 2018 are as follows:

	<u>Transfers to:</u>
	General
	<u>Fund</u>
<u>Transfers from:</u>	
Indigent transcript fund	\$ 152,410

Transfers are substantially for the purposes of subsidizing operating functions. Court reporters are paid from the general fund, and the indigent transcript fund reimburses the general fund whenever the transcript is categorized as “indigent.” Whenever expenditures for the Commissioners’ offices exceed the state appropriation, the general fund covers the excess.

K: CONCENTRATIONS OF CREDIT AND OTHER RISKS

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies and the State of Louisiana. The majority of the other receivables are due from Louisiana attorneys who practice before the court. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish and the State of Louisiana.

Included in general fund intergovernmental revenue is an appropriation from the East Baton Rouge City – Parish for salaries and related employment taxes and benefits as well as for supplies and other services in the amount of \$6,014,750. General fund intergovernmental revenue also includes funding from the Clerk of Court of East Baton Rouge Parish for salaries and related employment taxes and benefits in the amount of \$23,962. The Drug Court program is funded through cost reimbursement funding in the amount of \$350,000 from the Louisiana Supreme Court. The Commissioner’s fund is totally supported by an appropriation from the Louisiana Supreme Court in the amount of \$354,707. The Court is dependent upon continued funding from these entities.

L: SUBSEQUENT EVENTS

The City of Baton Rouge has verbally agreed to increase the 2019 19th JDC cash funding for wages, retirement, and corresponding tax by \$362,000 for the 2019 year. These additional funds should eliminate the budget deficit by the end of 2019. We have not received a confirmation letter from the City of Baton Rouge confirming the 2019 increase, effective December 1, 2018.

M: CONTINGENCIES

The Nineteenth Judicial District Court Drug Lab (“Drug Lab”) is named as a defendant in a lawsuit seeking unspecified damages related to a failed drug test. The Drug Lab intends to vigorously defend this lawsuit and claim but JEF management is unable to evaluate the outcome of this matter or estimate the amount of any liability that may result from an unfavorable resolution. JEF management may include the Louisiana State Attorney General and the Louisiana Office of Risk Management as a third party in the suit if this case proceeds. The court’s attorneys have filed a pending motion to dismiss due to abandonment.

It was recently discovered that the Nineteenth Judicial District Court was supposed to be billing for witness fees for law officers who testify at the court hearings. It was determined by a city attorney that since they cannot go back and collect these fees, it unlikely that the entity will be responsible for amounts that would have been due to the law officers. No liability needs to be recorded at this time.

REQUIRED SUPPLEMENTAL INFORMATION

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND, INDIGENT TRANSCRIPT FUND AND
DRUG TREATMENT FUND**

Year ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance - July 1, 2017	\$ 1,987,262	\$ 1,987,262	\$ 1,987,262	\$ -
Resources (inflows):				
Fees and fines:				
Clerk of Court - civil and probate filing fees	148,500	173,068	184,328	11,260
East Baton Rouge Parish Sheriff:				
Court costs	200,000	125,125	120,502	(4,623)
Court defrayment costs	5,000	3,041	2,605	(436)
Bail bond forfeitures	100,000	109,943	99,042	(10,901)
Fines	1,000,000	853,328	845,770	(7,558)
Indigent transcript fees	190,000	123,303	152,410	29,107
Drug lab fees	150,000	122,909	123,629	720
East Baton Rouge District Attorney:				
Drug enforcement forfeitures	165,000	200,000	124,245	(75,755)
Bail bond license fees	415,000	398,456	397,072	(1,384)
Louisiana Department of Public Safety - license fees	17,000	25,275	26,375	1,100
Intergovernmental:				
Louisiana Supreme Court:				
Drug court appropriation	375,000	350,000	328,034	(21,966)
City of B.R./Parish of E.B.R.:				
Compensation and Benefits	6,930,469	6,166,799	6,014,750	(152,049)
Charges for services:				
Transcript charges to attorneys	240,000	190,532	108,567	(81,965)
Program fees	16,500	26,989	23,615	(3,374)
Interest	15,000	14,500	5,116	(9,384)
Other	32,431	21,591	18,384	(3,207)
Total resources	9,999,900	8,904,859	8,574,443	(330,416)
Amounts available for appropriation	11,987,162	10,892,121	10,561,705	(330,416)

Continued

Exhibit 1 (Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final - as Restated		
Charges to appropriations (outflows):				
District Court:				
Personal services:				
Salaries, payroll taxes and benefits	9,173,000	8,228,699	7,929,060	299,639
Supplies:				
Office supplies	86,200	61,100	68,442	(7,342)
Computer supplies	176,900	145,395	138,498	6,897
Drug screen lab supplies/services	75,200	42,945	69,515	(26,570)
Dues and subscriptions	14,000	9,288	13,086	(3,798)
Other	-	-	-	-
Contractual services:				
Legal and other professional fees	124,000	190,064	173,087	16,977
Drug treatment services	376,000	350,000	328,770	21,230
Surety bonds/group insurance	28,000	43,934	36,710	7,224
Other contractual services	4,100	5,226	4,976	250
Travel, meetings and conferences	60,000	50,053	64,722	(14,669)
Equipment repair and maintenance	33,000	35,084	33,244	1,840
Judiciary Commission Matters	-	-	-	-
Equipment	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>10,150,400</u>	<u>9,161,788</u>	<u>8,860,110</u>	<u>301,678</u>
Budgetary fund balance - June 30, 2018	<u>\$ 1,836,762</u>	<u>\$ 1,730,333</u>	<u>\$ 1,701,595</u>	<u>\$ (28,738)</u>

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE - COMMISSIONERS' FUND**

Year ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance (deficit) - July 1, 2017	\$ (47,247)	\$ (47,247)	\$ (47,247)	\$ -
Resources (inflows):				
Intergovernmental:				
State of Louisiana	354,707	354,707	354,707	-
Total resources	<u>354,707</u>	<u>354,707</u>	<u>354,707</u>	-
Amounts available for appropriation	307,460	307,460	307,460	-
Charges to appropriations (outflows):				
Commissioners':				
Personal services:				
Salaries	223,008	223,008	233,330	(10,322)
Group benefits:				
Payroll taxes	3,262	3,262	2,487	775
Group insurance	26,704	26,704	32,380	(5,676)
Retirement	79,573	79,573	82,855	(3,282)
Supplies:				
Office supplies	3,500	3,500	3,499	1
Computer supplies	4,921	4,921	5,583	(662)
Dues and subscriptions	-	-	-	-
Other	-	-	-	-
Contractual services:				
Legal and other professional fees	9,638	9,638	17,991	(8,353)
Other contractual services	-	-	-	-
Parking fees	-	-	-	-
Travel, meetings and conferences	2,701	2,701	3,123	(422)
Equipment repair and maintenance	1,400	1,400	1,477	(77)
Telephone	-	-	-	-
Legal research	-	-	-	-
Total charges to appropriations	<u>354,707</u>	<u>354,707</u>	<u>382,725</u>	<u>(28,018)</u>
Budgetary fund balance - June 30, 2018	\$ (47,247)	\$ (47,247)	\$ (75,265)	\$ (28,018)

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL**

June 30, 2018

Budgetary accounting and control

Budget law

The Judicial Expense Fund prepares the annual combined operating budget for the general fund, the indigent transcript fund, and the drug treatment fund under the provisions of the Louisiana Municipal Budget Act. In accordance with those provisions, the following procedures are used in adopting the annual budget for these funds:

- (1) An operating budget is prepared at least fifteen days prior to the commencement of the budgetary fiscal year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- (2) The budget is available for public inspection at least fifteen days prior to the beginning of the fiscal year.
- (3) The budget is adopted after consideration of public comment, if any, and authorized for implementation on the first day of the fiscal year.
- (4) The budgets are prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by character (personal services, group benefits, supplies, contractual services and capital outlay). Total expenditures constitute the legal level of control. Expenditures may not exceed the sum of appropriations plus the unreserved prior year fund balance. The budget may be revised during the year as estimates regarding revenues and expenditures change.
- (5) Appropriations lapse at the end of each fiscal year.

With regard to the Commissioners' fund, which is an appropriation of the Louisiana Supreme Court for the operation of the commissioners' offices, the Judicial Budgetary Control Board governs the budget. R.S. 39:4B exempts the judiciary of the state from the State Division of Administration budgetary control, and since budgetary reporting for the Commissioners' Fund is the responsibility of the Judicial Budgetary Control Board, the Nineteenth Judicial District Court is of the opinion that the Commissioners' Fund is also not subject to the Local Government Budget Act (R.S. 39:1301-14), in particular, those requirements relating to public hearings and advertisement. Accordingly, the Commissioners' Fund budget to actual presentation will utilize the budget data formulated under the auspices of the Judicial Budgetary Control Board.

These procedures are followed in establishing the budgetary data reflected in the financial statements with regard to the special revenue fund:

- (1) An operating budget is prepared for the commissioners' fund prior to the commencement of the budgetary fiscal year and submitted to the Judicial Budgetary Control Board. The operating budget includes proposed expenditures for the upcoming year.
- (2) All funds remaining unexpended or unencumbered at year end are returnable to the state general fund at the direction of the Supreme Court.
- (3) Any surpluses occurring in the appropriation may be transferred from one line item to another during the fiscal year.

Budgetary accounting

The General Fund, Indigent Transcript Fund and the Commissioners' Fund budgets are prepared and presented using the modified accrual basis of accounting.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLANS
RETIREE HEALTH AND DENTAL INSURANCE PROGRAMS
Year ended December 31, 2017

SCHEDULE OF FUNDING PROGRESS

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll ©</u>	<u>UAAL as a Percentage of Covered ((b-a)/c)</u>
12/31/2017	1/1/2017	-	\$ 18,675,288	\$ 18,675,288	0.00%	\$ 3,726,607	501%
12/31/2016	1/1/2015	-	\$ 20,174,599	\$ 20,174,599	0.00%	\$ 3,576,041	564%
12/31/2015	1/1/2015	-	\$ 20,522,481	\$ 20,522,481	0.00%	\$ 3,546,102	579%
12/31/2014	1/1/2013	-	\$ 19,244,810	\$ 19,244,810	0.00%	\$ 3,326,713	578%
12/31/2013	1/1/2013	-	\$ 18,803,148	\$ 18,803,148	0.00%	\$ 3,250,367	578%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 1,160,361	\$ 436,445	37.60%	\$ 723,916	\$ 10,032,945
12/31/2016	\$ 1,420,428	\$ 472,193	33.24%	\$ 948,235	\$ 9,309,029
12/31/2015	\$ 1,444,671	\$ 478,700	33.14%	\$ 965,971	\$ 8,360,794
12/31/2014	\$ 1,382,813	\$ 409,993	29.65%	\$ 948,235	\$ 7,394,823
12/31/2013	\$ 1,349,387	\$ 379,053	28.09%	\$ 970,334	\$ 6,422,003

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
Year ended December 31, 2018

Fiscal Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Louisiana Clerks' of Court Retirement and Relief Fund					
2018	2.4530%	\$ 3,711,191	\$ 2,440,420	152.0718%	79.6900%
2017	2.7018%	\$ 4,998,373	\$ 2,311,222	216.2654%	74.1702%
2016	2.8132%	\$ 4,220,007	\$ 2,624,368	161.0000%	78.1000%
2015	2.8606%	\$ 3,857,822	\$ 2,585,873	149.1884%	79.3700%
Louisiana School Employees' Retirement System					
2018	0.0141%	\$ 90,159	\$ 39,159	230.2383%	75.0300%
2017	0.0133%	\$ 100,004	\$ 39,159	255.3794%	70.0911%
2016	0.0115%	\$ 72,696	\$ 38,106	191.0000%	74.5000%
2015	0.0130%	\$ 75,412	\$ 35,516	212.3325%	76.1800%
Louisiana State Employees' Retirement System					
2018	0.1499%	\$ 10,553,317	\$ 2,724,188	387.3931%	62.5000%
2017	0.1479%	\$ 11,611,568	\$ 2,704,139	429.3998%	57.7280%
2016	0.1302%	\$ 8,855,905	\$ 2,654,670	334.0000%	62.7000%
2015	0.1386%	\$ 8,664,944	\$ 2,577,012	336.2400%	65.0000%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

JUDICIAL EXPENSE FUND
SCHEDULE OF PENSION CONTRIBUTIONS
Year ended December 31, 2018

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Louisiana Clerks' of Court Retirement and Relief Fund					
2018	\$ 395,916	\$ 395,916	\$ -	\$ 2,083,766	19.00%
2017	\$ 419,680	\$ 419,680	\$ -	\$ 2,440,420	17.20%
2016	\$ 471,957	\$ 471,957	\$ -	\$ 2,311,222	20.40%
2015	\$ 485,508	\$ 485,508	\$ -	\$ 2,624,368	18.50%
Louisiana School Employees' Retirement System					
2018	\$ 11,471	\$ 11,471	\$ -	\$ 41,562	27.60%
2017	\$ 11,059	\$ 11,059	\$ -	\$ 40,335	27.00%
2016	\$ 10,949	\$ 10,949	\$ -	\$ 39,159	28.00%
2015	\$ 12,575	\$ 12,575	\$ -	\$ 38,106	33.00%
Louisiana State Employees' Retirement System					
2018	\$ 1,086,396	\$ 1,086,396	\$ -	\$ 2,866,480	37.90%
2017	\$ 1,000,021	\$ 1,000,021	\$ -	\$ 2,724,188	36.71%
2016	\$ 1,016,221	\$ 1,016,221	\$ -	\$ 2,704,139	37.60%
2015	\$ 982,228	\$ 982,228	\$ -	\$ 2,654,670	37.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Amounts presented were determined as of the end of the fiscal year.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON PENSIONS
*June 30, 2018***

Changes of Benefit Terms include:

Louisiana Clerks' of Court Retirement and Relief fund
There were no changes of benefit terms for the year ended June 30, 2018.

Louisiana School Employees Retirement System
There were no changes of benefit terms for the year ended June 30, 2018.

Louisiana State Employees' Retirement System
There were no changes of benefit terms for the year ended June 30, 2018.

Changes of Assumptions include:

Louisiana Clerks' of Court Retirement and Relief Fund
There were no changes of benefit assumptions for the year ended June 30, 2018.

Louisiana School Employees Retirement System
There were no changes of benefit assumptions for the year ended June 30, 2018.

Louisiana State Employees' Retirement System
There were no changes of benefit assumptions for the year ended June 30, 2018.

**NINETEENTH JUDICIAL DISTRICT COURT-JUDICIAL EXPENSE FUND
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEADS**

June 30, 2018

Purpose	Ann McCrory Judicial Administrator		William Morvant Judge	
	Amount		Amount	
Salary	\$	102,548	\$	-
Benefits-Medicare		1,458		-
Benefits-Health Insurance		6,002		-
Benefits-Dental Insurance		162		-
Benefits-Retirement		38,866		-
Travel-Mileage, Parking, & Airfare Reimbursement		586		64
Annual Dues		359		-
Conference Registrations		850		1,220
Conference Meals		50		-
Conference Travel-Hotel		1,569		-

Note: Judges are not required to include compensation, reimbursements, and benefits received directly from the Louisiana Supreme Court. Amounts reported above were paid from funds the court administers.



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

To the Honorable Judges
Nineteenth Judicial District Court
Judges Expense Fund
Baton Rouge, 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, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court-Judicial Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Nineteenth Judicial District Court-Judicial Expense Fund's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nineteenth Judicial District Court-Judicial Expense Fund's financial statements are free from 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TWRU

CPAs & Financial Advisors

Baton Rouge, Louisiana

December 27, 2018

**NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

SUMMARY OF AUDITORS' REPORTS

Financial Statements: The auditor expresses an unmodified opinion on the financial statements of The Nineteenth Judicial District Court-Judicial Expense Fund.

Internal Control over Financial Reporting:

Material weakness(es) identified No

Significant deficiency(ies) identified No

Noncompliance material to financial statements noted No

Management Letter issued No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE
REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

CURRENT YEAR

There are no findings for the year ended June 30, 2018.

PRIOR YEAR

2017-01 Engagement Completion and Submission
Resolved: Management acknowledges the condition and agreed with the compliance finding. The current year audit report is timely filed.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Judges of the Nineteenth Judicial District Court- Judicial Expense Fund (19th JDC) and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by 19th JDC (Entity) 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 fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. 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 described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
No Exceptions Noted.
 - 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.
No Exceptions Noted.
 - c) **Disbursements**, including processing, reviewing, and approving
No Exceptions Noted.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
No Exceptions Noted.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
No Exceptions Noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
No Exceptions Noted.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
No Exceptions Noted.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
No Exceptions Noted.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
No Exceptions Noted.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not Applicable.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
Exception: The Judges met 10 out of the 12 months.
Management's Response/Corrective Action: We will change the court's policy regarding having a full-judges meeting on a monthly basis. During certain times of the year the court cannot obtain a quorum for a full judges meeting, we will therefore change the policy for these meetings from a monthly basis to a minimum of (9) meetings per year. The court will continue to attempt to have a monthly meeting with a quorum but will only be obligated to nine meetings within the fiscal year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Exception: Only two of the months referenced budget to actual comparisons.

Management's Response/Corrective Action: We will utilize the schedule below to add these meetings to our policy and procedures, which will enable us to list the Budget to Actual quarterly comparison on the agenda.

9/30- Budget to Actual report on the November agenda

12/31- Budget to Actual report on the February agenda

3/31- Budget to Actual report on the May agenda

6/30- Budget to Actual report on the October agenda

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not Applicable.

Bank Reconciliations – This section was not tested due to no exceptions noted in prior year.

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).



5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
No Exception Noted.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
No Exception Noted.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
No Exception Noted.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
No Exception Noted.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
No Exception Noted.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
The entity does not use sequentially pre numbered receipts.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No Exception Noted.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
No Exception Noted.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
Entity policy is to bring deposits to the bank every Wednesday and Friday and testing showed no exceptions.

- e) Trace the actual deposit per the bank statement to the general ledger.
No Exception Noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
No Exceptions Noted.
 - b) At least two employees are involved in processing and approving payments to vendors.
No Exceptions Noted.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
No Exceptions Noted.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
No Exceptions Noted.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
No Exceptions Noted.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
No Exceptions Noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards– This section was not tested due to no exceptions noted in prior year.

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions) – This section was not tested due to no exceptions noted in prior year.

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts – This section was not tested due to no exceptions noted in prior year.

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:



- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel – This section was not tested due to no exceptions noted in prior year.

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics – This section was not tested due to no exceptions noted in prior year.

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:



- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not Applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not Applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Not Applicable.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No Exceptions Noted.

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

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 27, 2018

