

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**THE OFFICE OF THE CLERK OF THE CRIMINAL
DISTRICT COURT - ORLEANS PARISH
NEW ORLEANS, LOUISIANA**

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Office of the Clerk of the Criminal District Court -
Orleans Parish
2700 Tulane Avenue
New Orleans, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the fiduciary fund information of The Office of the Clerk of the Criminal District Court - Orleans Parish (Clerk of Court), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Clerk of Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the fiduciary fund information of the Clerk of Court, as of and for the year ended December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-10 and page 45, and the schedule of proportionate share of the net pension liability on page 46, and the schedule of pension contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk of Court's basic financial statements. The schedule of compensation, reimbursements, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis as required by the Louisiana Legislative Auditor and are not a required part of the basic financial statements.

The schedule of compensation, reimbursements, benefits and other payments to agency head or chief executive officer on page 49 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, reimbursements, benefits and other payments to agency head or chief executive officer are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 23, 2020 on our consideration of the Clerk of Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Clerk of Court'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 Clerk of Court's internal control over financial reporting and compliance.

LeBlanc & Associates CPAs, L.L.C.

Metairie, LA
November 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

The Office of the Clerk of the Criminal District Court - Orleans Parish (Clerk of Court) management’s discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Clerk of Court’s financial activity, and identify changes in the Clerk of Court’s financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2019.

As required in GASB 34, the financial report is presented in the following order:

- Management’s Discussion and Analysis
- Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide a perspective of the Clerk of Court as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements; the Statement of Net Position and the Statement of Activities.

The Statement of Net Position, combines and consolidates governmental funds’ current financial resources (short-term expendable resources) with capital assets, long-term obligations, deferred outflows/inflows of resources, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user’s analysis of the costs of various services.

FUND FINANCIAL STATEMENTS

The fund statements are reported using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In addition, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The Clerk has two types of funds: Governmental Funds and Fiduciary Funds.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Governmental Funds

The general fund, commonly referred to as the expense fund, is the only fund of the Clerk of Court. Louisiana Revised Statute, Section 1381.3 establishes the Clerk of Court's expense fund for the purpose of accounting for all funds collected as clerk's fees, interest on investments and any other funds generated by the Clerk of Court. Expenditures may be made from the expense fund to defray the operating costs of the Clerk of Court's office.

Fiduciary Funds

The fiduciary funds are used to report assets held in trust for others and, therefore, cannot be used to support the operations of the Clerk's office. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operating results. The funds accounted for in this category by the Clerk's Office relate to prisoner release bonds that have been set by the court. These accounts are increased when the individual(s) deposit the bond set by the court and decreased upon disposition of the case by order of a judge for bonds.

FINANCIAL ANALYSIS OF THE CLERK OF COURT

STATEMENT OF NET POSITION:	12/31/2019	12/31/2018
ASSETS		
Current assets	\$ 434,233	\$ 516,483
Capital assets, net	116,393	77,624
Total assets	<u>\$ 550,626</u>	<u>\$ 594,107</u>
 Deferred outflows of resources	 <u>\$ 1,480,924</u>	 <u>\$ 1,388,113</u>
LIABILITIES		
Accounts payable	\$ -	\$ 15,874
Other current liabilities	41,250	28,750
Total current liabilities	<u>\$ 41,250</u>	<u>\$ 44,624</u>
 Long Term Liabilities - Pension	 <u>\$ 4,955,608</u>	 <u>\$ 4,704,179</u>
 Deferred inflows of resources	 <u>\$ 330,528</u>	 <u>\$ 350,348</u>
NET POSITION		
Invested in capital assets	\$ 116,393	\$ 77,624
Restricted	41,250	28,750
Unrestricted	<u>(3,453,479)</u>	<u>(3,223,305)</u>
Total Net Position	<u>\$ (3,295,836)</u>	<u>\$ (3,116,931)</u>

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

As indicated by the statement above, total net position decreased from the prior year by \$178,905 resulting in ending net position of \$(3,295,836). The decrease in net position is a result of the current period change in net position, the recording of entries in accordance with GASB 68 & 71 including the recording of the net pension liability, and deferred outflows/inflows. Net position can be separated into three categories: invested in capital assets, restricted and unrestricted. The current year unrestricted net position is \$(3,453,479). The unrestricted net position is an accumulation of prior years' operating results. This balance is directly affected each year by the Clerk of Court's operating results and changes to net pension liability, deferred outflows and deferred inflows.

Net position invested in capital assets is a combination of capital assets at original cost less accumulated depreciation. The original cost of capital assets is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. In the current year there was an increase in the net position invested in capital assets in the amount of \$38,769, as a result of purchases of capital assets in the amount of \$68,672 and depreciation expense in the amount of \$29,903.

The current year restricted net position is \$41,250. These funds are restricted for the payment of expungement fees due to other agencies.

INVESTED IN CAPITAL ASSETS

	<u>12/31/2019</u>	<u>12/31/2018</u>
Furniture and equipment	\$ 586,546	\$ 572,365
Building Improvements	37,215	37,215
Vehicles	96,747	42,256
Less: accumulated depreciation	<u>(604,115)</u>	<u>(574,212)</u>
Net capital assets	<u>\$ 116,393</u>	<u>\$ 77,624</u>

RESULTS OF OPERATIONS

STATEMENT OF ACTIVITIES:	<u>12/31/2019</u>	<u>12/31/2018</u>
Program revenues	\$ 4,525,491	\$ 4,655,915
Program expenses	<u>(4,749,905)</u>	<u>(4,733,055)</u>
Increase (decrease) in Net Position	<u>(224,414)</u>	<u>(77,140)</u>
Interest and miscellaneous income	45,509	14,591
Change in net position	<u>(178,905)</u>	<u>(62,549)</u>
Net Position January 1,	<u>(3,116,931)</u>	<u>(3,054,382)</u>
Net Position December 31,	<u>\$ (3,295,836)</u>	<u>\$ (3,116,931)</u>

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

ORIGINAL VS. REVISED BUDGET

As required by state law, the Clerk of Court adopts the original budget for the office prior to the commencement of the fiscal year to which the budget applies.

The Clerk of Court amended its original budget for the 2019 fiscal year.

REVENUE BUDGET

The Clerk of Court's general fund revenues of \$4,571,000 were more than amended budgeted revenue of \$4,532,025 by \$38,975, a variance of approximately 0.9%.

EXPENDITURE BUDGET

The Clerk of Court's general fund expenditures of \$4,649,878 were more than the amended budgeted expenditures of \$4,532,025 by \$117,853, a variance of approximately 2.6%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The operations of the Clerk of Court's office are highly reliant upon appropriations from the City of New Orleans and from the State of Louisiana. Due to the heavy reliance of funding from other agencies, the Clerk of Court's Office could be effected by a downturn in the economy and a decline in funding from the state and local government.

**CONTACTING THE OFFICE OF THE CLERK OF THE CRIMINAL DISTRICT COURT - ORLEANS
PARISH'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Clerk of Court's finances and demonstrate the Clerk of Court's accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Larry C. Cager, Chief Deputy Clerk, at Room 114, 2700 Tulane, New Orleans, Louisiana 70119.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 433,733
Accounts Receivable	<u>500</u>

Total Current Assets	<u>434,233</u>
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Non-current Assets:

Capital Assets, Net	<u>116,393</u>
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Total Non-Current Assets	<u>116,393</u>
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Total Assets	<u>550,626</u>
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Total Deferred Outflows of Resources	<u>1,480,924</u>
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LIABILITIES:

Current Liabilities:

Other Current Liabilities	<u>41,250</u>
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Total Current Liabilities	<u>41,250</u>
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Long-term Liabilities:

Net Pension Liability	<u>4,955,608</u>
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Total Liabilities	<u>4,996,858</u>
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Total Deferred Inflows of Resources	<u>330,528</u>
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NET POSITION:

Net Investment in Capital Assets	116,393
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Restricted	41,250
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Unrestricted	<u>(3,453,479)</u>
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Total Net Position	<u>\$ (3,295,836)</u>
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The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Activities</u>	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Revenue and Changes in Net Position</u>
Governmental Activities:				
General - Governmental	\$ 4,749,905	\$ 392,136	\$ 4,133,355	\$ (224,414)
Total	<u>4,749,905</u>	<u>392,136</u>	<u>4,133,355</u>	<u>(224,414)</u>
General Revenues:				
Interest and Miscellaneous Income				<u>45,509</u>
Total General Revenues				<u>45,509</u>
Change in Net Position				(178,905)
Net Position (deficit) - January 1, 2019				<u>(3,116,931)</u>
Net Position (deficit) - December 31, 2019				<u>\$ (3,295,836)</u>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 433,733
Accounts receivable	<u>499</u>
Total Assets	<u><u>434,232</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Other Current Payables	<u>41,250</u>
Total Liabilities	<u>41,250</u>
Fund Balance	
Restricted	41,250
Unassigned	<u>351,732</u>
Total Fund Balance	<u>392,982</u>
Total Liabilities and Fund Balance	<u><u>\$ 434,232</u></u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Fund Balance at December 31, 2019 - Governmental Fund	\$ 392,982
Amounts reported for governmental activities in the Statement of Net Position is different because of:	
Cost of capital assets at December 31, 2019	720,509
Less: Accumulated depreciation as of December 31, 2019	
Furniture and Equipment	(604,115)
Deferred Outflows of Resources	1,480,924
Net Pension Liability	(4,955,608)
Deferred Inflows of Resources	<u>(330,528)</u>
Net Position at December 31, 2019	<u>\$ (3,295,836)</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES

On-behalf payments	\$ 4,123,530
State reimbursement-election expenses	242,320
Bond Fees	66,768
Service Fees	39,598
Expungement Fees	30,675
Reimbursed Expenses	12,775
Grants	9,825
Miscellaneous	35,108
Interest Income	10,401
Total Revenues	<u>4,571,000</u>

EXPENDITURES

Salaries and fringe benefits	3,929,907
Election salaries and fringe benefits	229,273
Professional services	84,780
Repairs and maintenance	7,251
Election expenses	14,593
Office supplies	92,979
Office expense	92,181
Rent - Land & Building	34,846
Equipment Rental	7,409
Printing	17,755
Postage	6,115
Telephone	13,404
Utilities	2,599
Convention, meeting and travel	37,171
Miscellaneous	9,216
Interest and Bank Charges	1,727
Capital Outlay	68,672
Total Expenditures	<u>4,649,878</u>

Net Change in Fund Balance	<u>(78,878)</u>
Fund Balance - January 1, 2019	<u>471,860</u>
Fund Balance - December 31, 2019	<u>\$ 392,982</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
 CRIMINAL DISTRICT COURT - ORLEANS PARISH
 RECONCILIATION OF THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - General Fund (Statement E) \$ (78,878)

Amounts Reported for governmental activities in the Statement of
 Activities are different because:

Capital outlays are reported in governmental funds as expenditures,
 however, in the Statement of Activities, the cost of those
 assets are allocated over their estimated useful lives as depreciation
 expense. This is the amount by which depreciation exceeds
 capital outlays in the current period:

Depreciation expense	(29,904)
Capital outlays	68,672

Governmental funds report employer contributions to its pension plans as
 expenditures; however, in the Statement of Activities, pension expense represents
 the Clerk's proportionate share of the Clerks' change in net pension liability (330,238)

Revenue reported in the Statement of Activities for the Clerks' proportionate share
 of non-employer contributions to the pension plans does not provide current
 financial resources and, therefore, is not reported as revenue in the governmental
 funds. 191,443

Change in Net Position of governmental activities (Statement B) \$ (178,905)

The notes to the financial statements are an integral part of this statement.

**FIDUCIARY FUND STATEMENT
AGENCY FUNDS**

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
STATEMENT OF NET POSITION - AGENCY FUND
DECEMBER 31, 2019

	<u>Total Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,196,779</u>
Total Assets	<u>1,196,779</u>
LIABILITIES	
Bonds Payable	<u>1,196,779</u>
Total Liabilities	\$ <u>1,196,779</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

INTRODUCTION

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, The Office of the Clerk of the Criminal District Court - Orleans Parish (Clerk of Court) serves as ex-officio custodian of voting machines and performs other election duties. The Clerk of Court is also a member of the Parish Jury Commission, which impanels persons for jury duty. The Clerk of Court is elected for a four-year term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Clerk of Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

B. REPORTING ENTITY

The Clerk of Court is an independently elected official; however, the Clerk of Court is fiscally dependent on the City of New Orleans (the City). The City maintains and operates the parish courthouse in which the Clerk of Court's office is located, provides funds for equipment, furniture, and payroll of the Clerk of Court's office. Although the Clerk of Court is fiscally dependent on the City, the Clerk of Court is not considered to be a component unit of the City. The most recently issued Comprehensive Annual Financial Report (CAFR) of the City of New Orleans stated that the Clerk of Court's office is an independently elected official, prepares their own budget, and operates independently from the City of New Orleans, and therefore is not included in the CAFR of the City.

The accompanying financial statements present information on the Clerk of Court's Expense Fund, as established by Louisiana Revised Statute, Section 1381.3, and agency funds for assets held in trust for others. The on-behalf payments as described in the accompanying notes do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise that financial reporting entity.

C. FINANCIAL STATEMENT REPORTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements of the Clerk of Court consist of the Statement of Net Position and the Statement of Activities. Funds that are fiduciary in nature are not included in the Government-Wide Financial Statements.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FINANCIAL STATEMENT REPORTING (continued)

Deferred Outflows/Inflows of Resources

Within the statement of net position, in addition to assets, the statement will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

FUND FINANCIAL STATEMENTS:

The Clerk of Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Clerk functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The Clerk of Court's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Fund

The governmental fund accounts for all of the Clerk of Court's general activities. This fund focuses on the sources, uses, and balances of current financial resources. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, the fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Clerk of Court. The Clerk of Court maintains one governmental fund which is the expense fund. The expense fund is the primary operating fund of the Clerk of Court. It accounts for all financial resources, except those required to be accounted for in other funds. The expense fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Clerk of Court policy.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The funds accounted for in this category are agency funds for cash bonds held for litigants pending court action. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the Clerk of Court as a whole. These statements included all the financial activities of the Clerk. Information contained in these statements reflect the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Program Revenues – Program revenues included in the Statement of Activities are derived directly from the Clerk of Court users as a fee for services; program revenues reduce the cost of the function to be financed from the Clerk of Court's general revenues. Program revenues also include On-behalf of payments made by the City of New Orleans, election expense reimbursements from the State of Louisiana and grant revenue.

Fund Financial Statements (FFS)

The amounts reflected in the governmental fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in net positions reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Clerk of Court operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 pay liabilities of the current period. The Clerk of Court considers all revenue available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Revenues from charges for services are recorded when earned. Expenditure-driven grants are recorded when the reimbursable expenditure has been incurred. Interest earnings are recorded when the investments have matured and the interest is available.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Deferred Revenues

Deferred revenues arise when resources are received by the Clerk of Court before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the Clerk of Court has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. The Clerk of Court had no transactions of this nature.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the clerk may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Clerk of Court's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. BUDGETS

The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Clerk of Court. All appropriations lapse at year-end. For the expense fund, the Clerk of Court has established a budget for service fees, court allocation-fines and costs revenues, state reimbursements, interest, evidence revenues and grant revenues. Budget amounts included in the accompanying budgetary comparison schedule included the original adopted budget and the amended budget. The original budget of the Clerk of Court include the amounts adopted by the City of New Orleans for 2019 to fund this office.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Clerk of Court maintains a threshold level of \$1,000 or more for capitalizing assets. Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful life:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Equipment	5 years
Vehicles	5 years
Building Improvements	15 years

I. NET POSITION CLASSIFICATIONS

In the government-wide financial statements, equity is classified as net position, and displayed in three components:

1. Net Investment in Capital Assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation. At December 31, 2019 the net position for investment in capital assets was \$116,393.
2. Restricted Net Position - Net position is reported as restricted when constraints placed on use are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. At December 31, 2019 the restricted net position was \$41,250.
3. Unrestricted Net Position - All other net position that does not meet the definition of "net investment in capital assets" or "restricted". At December 31, 2019 the unrestricted net position was \$(3,453,479).

J. FUND BALANCE CLASSIFICATION

In 2011, the Clerk of Court implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this statement, in the fund financial statements, fund balances of the governmental fund types are now classified into one of five categories - Nonspendable, Restricted, Committed, Assigned or Unassigned. The classifications describe the relative strength of the spending constraints placed on the purposes for which resources are used:

- (a) Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. FUND BALANCE CLASSIFICATION (continued)

- (b) Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- (c) Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- (d) Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- (e) Unassigned fund balance - amounts that are available for any purpose that have not been restricted, committed or assigned to specific purposes within the general fund.

While the Clerk of Court has not established a policy for its use of unassigned fund balance, it does consider a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unassigned fund balance classifications could be used.

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change. At December 31, 2019, the restricted fund balance was \$41,250, and the unassigned was \$351,732.

K. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

L. PENSIONS

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

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2. CASH AND EQUIVALENTS

At December 31, 2019, the Clerk of Court has cash and cash equivalents (book balances) including fiduciary fund cash totaling \$- as follows:

Demand deposits	\$ 1,035,201
Interest-bearing demand deposits	84,316
Certificates of deposit	<u>510,995</u>
Total	<u>\$ 1,630,512</u>

These deposits are stated at cost, which approximates market.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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 the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. 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. Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Clerk of Court that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana R.S. 39:1224 states that securities held by a third party shall be deemed to be held in the Clerk of Court's name.

At December 31, 2019, the Clerk of Court has \$1,643,645 in deposits (bank balances) which include the fiduciary fund deposits. These deposits were secured from risk by \$972,957 of federal deposit insurance coverage and by a pledge of securities owned by the fiscal agent bank in the amount of \$715,592.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is to its fair value to changes in market interest rates. The Clerk of Court does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2019, are as follows:

<u>Government Activities</u>	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Furniture and equipment	\$ 572,365	\$ 14,182	\$ -	\$ 586,547
Vehicles	42,256	54,491	-	96,746
Building Improvements	37,215	-	-	37,215
Less accumulated depreciation	<u>(574,212)</u>	<u>(29,903)</u>	<u>-</u>	<u>(604,115)</u>
Capital assets, net	<u>\$ 77,624</u>	<u>\$ 38,770</u>	<u>\$ -</u>	<u>\$ 116,393</u>

Depreciation expense for the year ended December 31, 2019 is \$29,903.

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4. LEASES

The Clerk of Court leases office equipment on a month to month basis.

5. ON-BEHALF PAYMENTS

Fringe benefits and salaries of the employees of the Clerk of Court are paid by the City of New Orleans. As such, GASB Statement 24 requires that on-behalf payments for fringe benefits and salaries be recognized as revenue and expenditures. In addition to salaries and fringe benefits, the City pays a portion of the Clerks supplemental pay and certain other office expenses. The amount of on-behalf payments reported in the financial statements of the Clerk of Court as salaries and benefits at December 31, 2019 are as follows:

Salaries	\$ 2,619,678
Pension Plan Payments	519,608
Other Fringe Benefits	790,621
Total	<u>\$ 3,929,907</u>

The City provides in the budget for the Clerk of Court, an amount to cover certain office expenses such as rent and office supplies. These expenditures are ordered by the Clerk of Court's office through the City's requisition system and paid for by the City. The amounts of these on-behalf payments at December 31, 2019 are as follows:

Postage & Delivery	\$ 1,396
Records Storage	25,924
Building Rental	34,846
Rental Equipment	13,620
Office Equipment (not capital)	13,912
Repairs Equipment	6,768
Office Expenses	6,815
Office Water	168
Professional Fees	15,919
Telephone	263
Office Supplies	73,992
Total	<u>\$ 193,623</u>

The total on-behalf payments from the City of New Orleans recorded as revenue and expenses for the year ended December 31, 2019 is \$4,123,530.

THE OFFICE OF THE CLERK OF THE
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6. PENSION PLANS

Louisiana Clerks' of Court Retirement and Relief Fund

Plan Description:

The Clerk of Court and other eligible employees are members of the Louisiana Clerks' of Court Retirement and Relief Fund (LACRF). LACRF is a cost-sharing multiple-employer defined benefit pension plan established in accordance with Louisiana Revised Statute 11:1501 to provide retirement, disability and survivor benefits for clerks of court and their assistants in each parish throughout the State of Louisiana. It is administered and controlled by a board of trustees. LACRF issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the Louisiana Legislative Auditor's website at www.la.gov.

Benefits Provided

Retirement benefits:

A member or former member shall be eligible for regular retirement benefits upon attaining 12 or more years of credited service, attaining the age of 55 years (age 60 if hired on or after January 1, 2011), and terminating employment. Regular retirement benefits, payable monthly for life, is equal to 3% percent of the member's monthly average final compensation multiplied by the number of years of credited service, not to exceed 100% of the monthly average final compensation. The retirement benefit accrual rate is increased to 3 1/3% for all service credit accrued after June 30, 1999 (for members hired prior to January 1, 2011). For members hired before July 1, 2006 and who retire prior to January 1, 2011, monthly average final compensation is based on the highest 36 consecutive months, with a limit increase of 10% in each of the last three years of measurement. For members hired after July 1, 2006, monthly average final compensation is based on the highest compensated 60 consecutive months, or successive joined months if service was interrupted, with a limit increase of 10% in each of the last five years of measurement. For members who were employed prior to July 1, 2006 and who retire after December 31, 2010, the period of final average compensation is 36 months plus the number of whole months elapsed since January 1, 2011, not to exceed 60 months.

Disability benefits:

Disability benefits are awarded to active members who are totally and permanently disabled as a result of injuries sustained in the line of duty or to active members with 10 or more years of credible service who are totally disabled due to any cause. A member who is officially certified as totally or permanently disabled by the State Medical Disability Board will be paid monthly disability retirement benefits equal to the greater of forty percent of their monthly average final compensation or 75% of their monthly regular retirement benefit computed as per R.S. 11:1521 (C).

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6. PENSION PLANS (continued)

Survivor benefits:

Upon the death of any active contributing member with less than five years of credited service, his/her accumulated contributions are paid to his/her designated beneficiary. Upon the death of any active contributing member with five or more years of credited service, automatic option 2 benefits are payable to the surviving spouse. These benefits are based on the retirement benefits accrued at the member's date of death with option factors used as if the member had continued in service to earliest normal retirement age. Benefit payments are to commence on the date a member would have first become eligible for normal retirement assuming continued service until that time. In lieu of a deferred survivor benefit, the surviving spouse may elect benefits payable immediately with benefits reduced $\frac{1}{4}$ of 1% for each month by which payments commence in advance of member's earliest normal retirement age. If a member has no surviving spouse, the surviving minor children under 18 or disabled children shall be paid $\frac{1}{2}$ of the member's accrued retirement benefit in equal shares. Upon the death of any former member with less than 12 years of service, the designated beneficiary may receive his/her accumulated contributions. Upon the death of any former member with 12 or more years of service, automatic option 2 benefits are payable to the surviving spouse with payments to commence on the member's retirement eligibility date. In lieu of periodic payments, the surviving spouse or children may receive a refund of the member's accumulated contributions.

Deferred Retirement Option Plan (DROP):

In lieu of terminating employment and accepting a service retirement allowance, any member of the Fund who is eligible for a service retirement allowance may elect to participate in the Deferred Retirement Option Plan (DROP) for up to 36 months and defer the receipt of benefits. Upon commencement of participation in the plan, active membership in the Fund terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the DROP account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the DROP account equal to the payments to the account or a true annuity based upon his account (subject to approval by the Board of Trustees). In addition, the member receives the monthly benefits that were paid into the DROP fund during his period of participation.

Upon termination of employment at the end of the specified period of participation, a participant in DROP may receive, at his option, a lump sum payment from LACRF. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in LACRF. Interest is paid on DROP account balances for members who complete their DROP participation but do not terminate employment. Interest accruals cease upon termination of employment. Upon termination, the member receives a lump sum payment from the DROP fund equal to the payments made to LACRF on his behalf, or a true annuity based on his account (subject to approval by the Board of Trustees). The monthly benefit payments that were being paid into DROP are paid to the retiree and an additional benefit based on additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation.

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6. PENSION PLANS (continued)

The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless the period of additional service is at least 36 months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit.

Cost of Living Adjustments:

The board of trustees of LACRF are authorized to provide a cost of living increase to members who have been retired for at least one full calendar year. The increase cannot exceed the lesser of 2.5% of the retiree's benefit (not to exceed \$40 per month). The Louisiana statutes allows the board of trustees to grant an additional cost of living increase to all retirees and beneficiaries over age 65 equal to 2% of the benefit paid on October 1, 1977 or the member's retirement date if later. However, in order to grant any cost of living increase, LACRF must meet criteria as detailed in the Louisiana statutes related to funding status.

In lieu of granting a cost of living increase as described above, Louisiana statutes allow the board of trustees to grant a cost of living increase where the benefits shall be calculated using the number of years of service at retirement or at death plus the number of years since retirement or death multiplied by the cost of living amount which cannot exceed \$1.

Contributions (Employer and Non-employer)

According to state statute, contribution requirements for all employers are actuarially determined each year. The Clerk of Court was required to contribute 19.0% of annual covered payroll. Employees are required to contribute 8.25% of their annual pay. In addition, LACRF also receives non-employer contributions including ad valorem taxes and state revenue sharing funds. The Clerk of Court's allocation percentage of these additional sources of income, which are not considered special funding situations, are recognized as revenue and excluded from pension expense.

The Clerk of Court's proportionate share of employer contributions for the measurement period July 1, 2018 through June 30, 2019 was \$321,859 and the proportionate share of non-employer contributions was \$191,444.

The Clerk of Court's actual contributions to the LACRF pension for the year ended December 31, 2018 was \$340,902.

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6. PENSION PLANS (continued)

The Employees' Retirement System of the City of New Orleans

Plan Description

The clerical and administrative employees of the Clerk of Court, who were not already receiving benefits from any of the other retirement plans sponsored by the City of New Orleans are members of the Employees' Retirement System of the City of New Orleans (the Retirement System). The City Charter provides that the Retirement Ordinance (Chapter 114 of the Code) governs and controls the Retirement System under the management of a board of trustees. The Retirement System is a cost-sharing multiple-employer defined benefit pension plan established on July 1, 1947 to provide retirement, death, disability and survivor benefits to all employees of the parish, except those who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state. The Retirement System issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the Louisiana legislative Auditor's website at www.la.gov.

Benefits Provided

Retirement benefits

Members hired prior to January 1, 2018:

Normal Retirement Eligibility:	Age 65 and 5 years of service
Normal Retirement Amount:	2.5% of average compensation times creditable service for the first 25 years plus 4.0% of average compensation times creditable service thereafter
Average Annual Compensation:	Average annual compensation for the highest consecutive 60 month period. Compensation for purposes of calculating a pension is capped at \$200,000 per year
Unreduced Early Retirement:	Any age with 30 years of service or age plus service equals 80
Unreduced Early Retirement:	Normal retirement benefit, unreduced
Early Retirement Eligibility:	Age 60 and 10 years of service
Early Retirement Amount:	Normal retirement amount, reduced by 3% per year prior to age 62

Members hired on or after January 1, 2018:

Normal Retirement Eligibility:	Age 65 and 5 years of service
Normal Retirement Amount:	1.9% of average compensation times creditable service
Average Annual Compensation:	Average annual compensation for the highest consecutive 60-month period. Compensation for purposes of calculating a pension is capped at \$100,000 per year
Unreduced Early Retirement:	Any age with 30 years of service or age 62 with 20 years of service
Unreduced Early Retirement:	Normal retirement benefit, unreduced

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6. PENSION PLANS (continued)

Other Benefit Provisions

Minimum Retirement Benefit:	\$3,600 per year for any member with at least 10 years of creditable service
Vesting:	5 years of service
Ordinary Disability Eligibility:	Any age with 10 years of service
Ordinary Disability Amount:	75% of the benefit the member would have earned had they worked until age 65
Accidental Disability Eligibility:	Disability occurs as a result of an accident sustained while in the actual performance of duty, without willful negligence on the member's part
Accidental Disability Amount:	65% of the member's compensation for the 12 months preceding the accident, offset by any payments received from Workers Compensation
Post-retirement death benefit:	Based on form of payment chosen by member upon retirement
Optional Forms of Benefit:	Life only annuity, 50% or 100% joint and survivor pension with pop-up

Spouse's Pre-retirement death benefit

Death while an Active Member:	
Member had less than 3 years of service at date of death:	Refund of member contributions plus interest
Member had at least 3 years of service at date of death:	Refund of member contribution plus interest plus 25% of the base pensionable earning for each full year in excess of three years
Death after Separation from Service:	
Not retirement eligible:	Refund of member contributions plus interest
Retirement eligible:	Survivor's portion of 100% joint and survivor benefit with pop-up, payable as if member retired immediately prior to death

Deferred Retirement Option Plan (DROP)

Members eligible for Normal Retirement or Unreduced Early Retirement may elect to defer receipt of their retirement benefits while continuing employment. Upon the effective date of participating in the DROP, a member's years of service and Average Monthly Compensation become frozen for purposes of determining pension benefits. Additional service beyond the date of DROP participation no longer accrues any additional benefits under the Retirement System. Benefits that would have been payable are accumulated at interest to date of termination and paid in a single lump sum or in substantially equal payments over a period designated by the member but not to exceed 119 months. The interest rate shall be determined annually by the Trustees and credited as of each December 31st. Members with at least 10 years of creditable service as of January 1, 2018 have a maximum DROP period of five (5) years; all other members have a maximum DROP period of three (3) years.

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6. PENSION PLANS (continued)

Cost of Living Adjustments

Cost of living provisions for the Retirement System allows the board of trustees to provide an annual cost of living increase. The board of trustees retains trust earnings or gains in excess of an average 3.5% to provide cost of living increases in benefits to retirees (past or future) not to exceed 3% of the initial benefit per each year of retirement, provided that the Retirement System's funded ratio is at least 95%. Such benefit shall be awarded and paid only when funds are available from this source as determined by the board of trustees.

Changes in Plan Provisions

The following plan provisions were effective January 1, 2018 for participants hired or on after January 1, 2018:

- Benefit multiplier changed to 1.90% for all years of service
- 80 point provision eliminated for retirement eligibility
- Age 60 with 10 years of service early retirement eligibility eliminated
- Age 62 with 20 years of service retirement eligibility added
- Pensionable earnings capped at \$100,000, periodically adjusted for inflation by the Trustees
- DROP period changed to 36 months
- The funded percentage necessary for the approval of Cost of Living Adjustments (COLA's) was increased to 95%

Contributions (Employer)

Contribution requirements for all employers are determined on the basis of regular interest and mortality tables adopted by the board of trustees, and additional percentage of earnable compensation, known as "Accrued Liability Contributions," determined by an actuary on basis of the amortization period adopted by the board of trustees. The Clerk of Court was required to contribute 23.19% from January 1, 2019 through December 31, 2019 of annual covered payroll. Employees are required to contribute 6% of their annual pay. The Retirement System does not receive non-employer contributions.

The Clerk of Court's proportionate share of employer contributions for the measurement period (January 1, 2018 through December 31, 2018) was \$193,551.

The Clerk of Court's contributions to the Retirement System for the year ended December 31, 2019 were \$178,706.

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6. PENSION PLANS (continued)

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

At December 31, 2019, the Clerk of Court's net pension liability is comprised of its proportional share of the net pension liabilities of the Louisiana Clerks of Court Retirement and Relief Fund and the Employees' Retirement System of the City of New Orleans as follows:

	<u>LACRF</u>	<u>Retirement System CNO</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	3,161,765	1,793,843	4,955,608
Measurement Date	6/30/2019	12/31/2018	
Proportion (%) of Net Pension Liability	1.74%	.61%	
Prior Year Proportionate Share of Net Pension Liability	3,040,542	1,663,637	4,704,179
Increase (Decrease) From Prior Measurement Date	121,223	130,206	251,429
Proportion of Net Pension Liability	1.83%	.70%	
Increase (Decrease in Proportion (%) of the Net Pension Liability	(0.09)%	(0.09)%	
Pension Expense	607,555	242,291	849,846

The total pension liability for each pension plan used to calculate the net pension liability was determined by an actuarial valuation as of the reported measurement date. In addition, the Clerk of Court's allocation of the net pension liability was based on the Clerk of Court's projected contribution effort to the plan for the next fiscal year as compared to the total of projected contributions of all participants, actuarially determined.

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6. PENSION PLANS (continued)

At December 31, 2019, the Clerk of Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Louisiana Clerks' of Court Retirement and Relief Fund:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 88,777	\$ -
Changes of Assumptions	202,111	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	244,950	-
Changes in Proportion and Differences Between Clerk of Court's Contributions and Proportionate Share of Contributions	28,797	186,886
Contributions Made Subsequent to the Measurement Date	<u>180,238</u>	<u>-</u>
	<u>\$ 744,873</u>	<u>\$ 186,886</u>

Employees' Retirement System of the City of New Orleans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 403,421	\$ 21,477
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	164,796	-
Changes in Proportion and Differences Between Clerk of Court's Contributions and Proportionate Share of Contributions	(11,151)	122,165
Contributions Made Subsequent to the Measurement Date	<u>178,985</u>	<u>-</u>
	<u>\$ 736,051</u>	<u>\$ 143,642</u>

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6. PENSION PLANS (continued)

Total All Pension Plans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 492,198	\$ 21,477
Changes of Assumptions	202,111	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	409,746	-
Changes in Proportion and Differences Between Clerk of Court's Contributions and Proportionate Share of Contributions	17,646	309,051
Contributions Made Subsequent to the Measurement Date	<u>359,223</u>	<u>-</u>
	<u>\$ 1,480,924</u>	<u>\$ 330,528</u>

The Clerk of Court's office recognized in pension expense its proportionate share of the Plans' change in net pension liability as follows:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through each pension plan.

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes in assumptions about future economic demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.

Changes in the Clerk of Court's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in Clerk of Court's pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PENSION PLANS (continued)

Differences between contributions remitted to the Plan during the measurement period and the employer's proportionate share of contributions are recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.

Deferred outflows of resources related to pensions resulting from the Clerk of Court's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31st</u>	<u>Amount</u>
2020	\$ 319,157
2021	81,913
2022	175,631
2023	169,788
2024	35,100
Thereafter	9,863
	<u>\$ 791,452</u>

Actuarial Assumptions:

Louisiana Clerks of Court Retirement and Relief Fund

The total net pension liability in the June 30, 2019 actuarial valuation of LACRF was determined using the following actuarial assumptions:

Actuarial Cost Method	Frozen Attained Age Normal
Investment Rate of Return	6.75% Net of Investment Expense
Projected Salary Increases	5.00%
Mortality Rates	RP-2000 Employee Table (set back 4 years for males and 3 years for females) RP-2000 Disabled Lives Mortality Table (set back 5 years for males and 3 years for females) RP-2000 Healthy Annuitant Table (set forward 1 year for males and projected to 2030 using Scale AA for males and females)
Expected Remaining Service Lives	5 years
Cost of Living Adjustment	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the board of trustees as they were deemed not to be substantively automatic.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PENSION PLANS (continued)

The actuarial assumptions used are based on the assumptions used in the 2019 actuarial funding valuation which (with the exception of mortality) were based on results of an actuarial experience study for the period July 1, 2009 through June 30, 2014, unless otherwise specified. In cases where benefit structures were changes after the experience study period, assumptions were based on future experiences.

The mortality rate assumption used was verified by combining data from this plan with two other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected rate of return was 6.38%, for the year ended June 30, 2019.

The best estimates of geometric real rates of return for each major asset class based on LACRF's target asset allocation as of June 30, 2019 were as follows:

Asset Class	Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed Income:		
Domestic Bonds	10.00%	2.50%
International Bonds	10.00%	3.50%
Domestic Equity	33.00%	7.50%
International Equities	27.00%	8.50%
Hedge Funds	10.00%	6.59%
Real Estate	<u>10.00%</u>	4.50%
Total	<u>100.00%</u>	

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PENSION PLANS (continued)

Sensitivity of the Clerk of Court's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Clerk of Court's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Clerk of Court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
\$ 4,697,858	\$ 3,161,765	\$ 1,858,624

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Louisiana Clerks' of Court Retirement and Relief Fund's financial report.

Actuarial Assumptions:

Employees' Retirement System of the City of New Orleans

The total net pension liability in the January 1, 2019 for (measurement period December 31, 2018) actuarial valuation of the Retirement System was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Adjusted Market Value using 7 year smoothing
Investment Rate of Return	7.5% net of Investment Expense
Projected Salary Increases	5.00% compounded annually
Mortality Rates	RP-2000 Combined Healthy Mortality Table set forward six years below age 70 for males and four years below age 65 for females
Retirement Age Assumptions	RP-2000 Disability Mortality Table without Projection Based on Results of 2006-2010 Periodic Actuarial Experience Study
Expected Remaining Service Lives	4 years
Cost of Living Adjustment	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the board of trustees as they were deemed not to be substantively automatic.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PENSION PLANS (continued)

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

The best estimates of arithmetic real rates of return for each major asset class based on the Retirement System's target asset allocation as of December 31, 2018 were as follows:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Weighted Rate of Return
Cash Equivalents	2.00 %	1.41 %	0.03 %
Equity Securities	58.00 %	6.79 %	3.94 %
Fixed Income Securities	25.00 %	2.65 %	0.66 %
Real Estate	5.00 %	4.08 %	0.20 %
Other Alternative Investments	10.00 %	7.37 %	0.74 %
Total	<u>100.00 %</u>	-	<u>5.57 %</u>

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. PENSION PLANS (continued)

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates taking into consideration the recommendation of the Retirement System’s actuary. Based on these assumptions the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Clerk of Court’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Clerk of Court’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Clerk of Court’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 2,298,371	\$ 1,793,843	\$ 1,456,581

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Employees’ Retirement System of the City of New Orleans’ financial report.

7. GRANTS

During 2019, the Criminal Clerk of Court received an IT Grant from the Louisiana Supreme Court under VOCA Grant requirements which states that the Clerk is required to match 20% of the purchase price for the requested IT expense with the LA Supreme Court reimbursing the Clerk for the remaining 80%. As of December 31, 2019 the Clerk received \$9,825 which covered 80% of the cost of the IT purchase and is shown as grant revenue on the Statement of Activities in the Financial Statements.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of the Clerk of Court through November 23, 2020, the date the financial statements were issued, and concluded that the following subsequent event has occurred that requires disclosure in the Notes to the Financial Statements.

In the early months of 2020, an outbreak of a novel strain of coronavirus (COVID-19) has emerged globally, including the United States. In response to this outbreak, there have been mandates from federal, state and local authorities requiring forced closures of certain businesses and limiting travel, which could have material adverse effects to the Agency. At this time, it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.

REQUIRED SUPPLEMENTARY INFORMATION

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT-ORLEANS PARISH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Original Budget	Amended Budget	Actual	Variance With Final Budget Positive (Negative)
On-behalf Payments	4,088,783	4,085,000	4,123,530	(38,530)
State reimbursement-election expenses	-	240,000	242,320	(2,320)
Bond fees	102,980	65,000	66,768	(1,768)
Service fees	(30,420)	41,975	39,598	2,377
Expungement fees	25,100	33,000	30,675	2,325
Reimbursed expenses	(13,832)	12,500	12,775	(275)
Grants	-	10,000	9,825	175
Miscellaneous	89,255	34,550	35,108	(558)
Interest Income	9,472	10,000	10,401	(401)
Total revenues	<u>4,271,338</u>	<u>4,532,025</u>	<u>4,571,000</u>	<u>(38,975)</u>
Salaries and fringe benefits	\$ 3,866,804	\$ 3,876,798	\$ 3,929,907	\$ (53,109)
Election salaries and fringe benefits	227,388	226,500	229,273	(2,773)
Professional services	46,482	76,565	84,780	(8,215)
Repairs and maintenance	8,297	6,333	7,251	(918)
Election expenses	8,201	15,000	14,593	407
Office supplies	120,801	92,000	92,979	(979)
Office expense	41,459	36,598	92,181	(55,583)
Rent - land & building	69,000	35,000	34,846	154
Equipment rental	8,396	20,000	7,409	12,591
Printing	34,047	18,500	17,755	745
Postage	12,128	6,115	6,115	-
Telephone	21,074	12,000	13,404	(1,404)
Utilities	1,670	2,600	2,599	1
Conventions, meetings, and travel	36,767	36,300	37,171	(871)
Miscellaneous	4,805	8,193	9,216	(1,023)
Interest and bank charges	1,596	1,523	1,727	(204)
Capital outlay	69,326	62,000	68,672	(6,672)
Total Expenditures	<u>\$ 4,578,241</u>	<u>\$ 4,532,025</u>	<u>\$ 4,649,878</u>	<u>\$ (117,853)</u>
Net Change in Fund Balance	<u>\$ (306,903)</u>	<u>\$ -</u>	<u>\$ (78,878)</u>	<u>\$ (78,878)</u>
Fund Balance, Beginning of Year	<u>\$ 471,860</u>	<u>\$ 471,860</u>	<u>\$ 471,860</u>	<u>\$ -</u>
Fund Balance, End of Year	<u>\$ 164,957</u>	<u>\$ 471,860</u>	<u>\$ 392,982</u>	<u>\$ (78,878)</u>

See independent auditor's report

THE OFFICE OF THE CLERK OF COURT
 CRIMINAL DISTRICT COURT - ORLEANS PARISH
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 2

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability(Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Louisiana Clerks' of Court Retirement and Relief Fund					
2019	1.741068%	3,161,765	1,654,563	191.09%	77.93%
2018	1.828017%	3,040,542	1,641,863	185.19%	79.07%
2017	1.930527%	2,920,760	1,600,821	182.45%	76.69%
2016	1.897761%	3,510,809	1,539,889	227.99%	74.17%
2015	1.761811%	2,642,772	1,364,737	193.65%	78.13%
Employees' Retirement System of the City of New Orleans					
2019	0.613039%	1,793,842	851,785	210.60%	55.55%
2018	0.699186%	1,663,637	858,678	193.74%	62.22%
2017	0.699186%	1,786,211	873,250	204.55%	58.06%
2016	0.741081%	1,656,966	857,804	193.16%	60.26%
2015	0.741081%	1,255,580	908,701	138.17%	68.64%

Notes:

The effective measurement period ended June 30, 2019; the actuarial valuation of the Louisiana Clerks' of Court Retirement and Relief Fund assumed five years as the expected remaining service lives for all periods presented.

The effective measurement period ended December 31, 2018; the actuarial valuation of the Employees' Retirement System of the City of New Orleans assumed four years as the expected remaining service lives. Previously, eight years was assumed.

The reports for the Louisiana Clerks' of Court Retirement and Relief Fund and the Employees' Retirement System of the City of New Orleans are available on the Louisiana Legislative Auditor's website at www.la.la.gov.

Information related to 2014 through 2010 is not available.

THE OFFICE OF THE CLERK OF COURT
 CRIMINAL DISTRICT COURT - ORLEANS PARISH
 SCHEDULE OF PENSION CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 3

Year	Statutorily Required Contributions)	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll During Calendar Year	Contributions as a Percentage of Covered- Employee Payroll
Louisiana Clerks' of Court Retirement and Relief Fund					
2019	340,902	(340,902)	-	1,794,221	19.00%
2018	310,631	(310,631)	-	1,634,900	19.00%
2017	311,282	(311,282)	-	1,638,325	19.00%
2016	300,442	(300,442)	-	1,581,274	19.00%
2015	280,946	(280,946)	-	1,478,663	19.00%
2014	256,528	(256,528)	-	1,368,951	18.74%
Employees' Retirement System of the City of New Orleans					
2019	178,706	(178,706)	-	770,617	23.19%
2018	198,057	(198,057)	-	851,785	23.25%
2017	184,530	(184,530)	-	858,678	21.49%
2016	196,586	(196,586)	-	873,250	22.51%
2015	193,765	(193,765)	-	857,804	22.58%
2014	197,897	(197,897)	-	908,701	21.78%

Notes:

According to state statute, contribution requirements for all employees are actuarially determined each year.

Information related to 2013 through 2009 is not available.

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD
OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

AGENCY HEAD NAME: **Arthur Morrell**

<u>PURPOSE</u>	AMOUNT
Base Salary & Certification - CNO	135,189
Supplemental Pay	24,600
Retirement - Pension Plan	38,174
Employment Benefits	15,919
Travel Expenses	1,183
Registration Fees	1,962
Dues	2,627
Per diem reimbursements	1,358
Meals	311
Gas & Miscellaneous	123

See independent auditor's report

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

The Office of the Clerk of the
Criminal District Court - Orleans Parish
2700 Tulane Avenue
New Orleans, 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, the major fund, and the fiduciary fund information of The Office of the Clerk of the Criminal District Court - Orleans Parish (Clerk of Court) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Clerk of Court's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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 Clerk of Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one (1) instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses. [2019-001].

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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LeBlanc & Associates CPAs, L.L.C.

Metairie, LA
November 23, 2020

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I –SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- A. The auditor's report expresses an unmodified opinion on the financial statements of the The Office of the Clerk of the Criminal District Court - Orleans Parish.
- B. There were no instances of material weaknesses or significant deficiencies disclosed during the audit of the financial statements of the The Office of the Clerk of the Criminal District Court - Orleans Parish.
- C. There was one (1) instance of noncompliance material to the financial statements of the The Office of the Clerk of the Criminal District Court - Orleans Parish which would be required to be reported in accordance with Government Auditing Standards and were disclosed during the audit.

Federal Awards

- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-13: N/ A
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- I. A management letter was issued: Yes

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

The following noncompliance issues were found during the audit:

2019-001. Capital Assets Inventory Not Maintained in Accordance with Policy:

Statement of Condition: A capital asset inventory is maintained, however not all capital assets have been tagged for identification purposes, nor does the capital asset inventory include the cost of all asset for the purpose of reconciliation to the financial records.

Criteria: Revised Statute 24:515.B.1 requires the municipality to maintain records of its capital assets. The clerk is responsible for recording, tagging (for identification purposes), and coordinating the annual inventory of all capital assets. The listing of capital assets is to be updated each year for assets acquired and disposed.

Cause: The capital asset inventory has been a work in process for a number of years; however, a complete listing is still not available. The listing does not include older purchased assets that the purchase date and cost have not yet been identified, and therefore cannot be cross referenced to the capital asset spreadsheet maintained for financial reporting purposes and tied to the general ledger.

Effect or Potential Effect: Failure to identify and periodically account for municipality assets/property exposes the municipality to possible loss, theft, and misuse of its assets.

Recommendations: All purchases above the capitalization policy of \$1,000 should be given an identification number and tagged with a sticker containing the identification number and the municipality in accordance with the Clerk's policy. The capital asset inventory should include the asset identification number, the date purchased and cost of the asset. This should be a cumulative document where new additions are added and assets disposed of are removed. By starting with the current year and including the cost of new assets purchased would improve the ability to verify the asset inventory with the financial records.

The entity should review best practices for capital assets as indicated on the LLA website. A physical inventory should be taken annually in accordance with best practices, and the documentation of the inventory process maintained in the Clerk's records to provide to the auditors upon request.

Management's Corrective Action Plan:

See page 62 of this report

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION III - FINANCIAL STATEMENT FINDINGS

The following noncompliance issues were found in the prior year audit:

2018-001. Audit reporting package not submitted by the due date of June 30, 2019

Statement of Condition: The audit reporting package was not timely filed on June 30, 2019.

STATUS: Finding resolved. If it had not been for the Emergency Covid 19 extension requests, the entity would have filed it's annual reporting package on time.

2018-002. Capital Assets Inventory Not Maintained in Accordance with Policy:

Statement of Condition: A capital asset inventory is maintained, however not all capital assets have been tagged for identification purposes, nor does the capital asset inventory include the cost of the asset for the purpose of reconciliation to the financial records.

STATUS: Finding not resolved, see current year finding # 2019-001.

November 23, 2020

MANAGEMENT LETTER

The Office of the Clerk of the
Criminal District Court - Orleans Parish
2700 Tulane Avenue
New Orleans, Louisiana

We have audited the basic financial statements of The Office of the Clerk of the Criminal District Court - Orleans Parish (Clerk of Court) as and for the year ended December 31, 2019 and have issued our report thereon dated November 23, 2020. 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.

As part of our examination, we have issued our report on the financial statements, dated November 23, 2020 and our report on internal control and compliance with laws, regulation, contracts, and grants, dated November 23, 2020.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2019-1. Cash Receipts

Statement of Condition: We reviewed forty (40) cash receipt transactions and found there was one (1) instance where a deposit was not being made timely. The deposit was made 6 days after receipt.

Criteria: Deposits for cash receipts should be made in a timely manner, usually within 1-3 days, or within a week if there is an occurrence of a major holiday or prolonged weekend.

Cause: Deposits are not being made timely.

Effect or Potential Effect: Cash is vulnerable to theft or potential misstatement on the financial statements when not deposited timely.

Recommendations: Management should increase efforts to make timely deposits daily after receipt of cash, and should wait no longer than two days to initiate cash depositing procedures.

Management's Corrective Action Plan:

See Management's Response Letter

Suggestion 2019-2 Credit Cards

Statement of Condition: There were three (3) instances of no approvals on purchases. There were two credit card statements included in our testing that included interest charges.

Criteria: In accordance with the Clerk's policies all credit card purchases must have approval by a supervisor. Credit card purchases should be paid off as soon as possible as to avoid having to pay late fees and interest charges.

Cause: Purchases processed without proper review. Credit card balance not being paid timely.

Effect or Potential Effect: Unauthorized payments could occur which could potentially put the entity at risk for fraud or theft. Interest and late fees are unnecessary payments that can be avoided and could ultimately hurt the Clerk's financial position.

Recommendations: Management should reinforce proper credit card usage and the necessity of receiving formal approval for all purchases made. Management should put an emphasis on timely paying of credit card statements.

Management's Corrective Action Plan:

See Management's Response Letter

Suggestion 2019-3 Recording Entries

Statement of Condition: Client records certain income and expense items incorrectly and inconsistently; thereby requiring reclassification entries.

Criteria: Controls should be in place to ensure that income and expense transactions are accurately recorded and properly classified in the books and records.

Cause: Lack of review of the general ledger for misclassifications. Also, there is no formal handbook or guide on how transactions are to be recorded.

Effect or Potential Effect: Incorrect classifications can result in incorrect financial statements and budget to actual analysis to show large discrepancies.

Recommendations: The general ledger should be reviewed monthly by the accounting supervisor for misclassifications and inconsistencies. The client should develop a document of their chart of accounts with a description of transactions to be recorded in each account classification.

The Office of the Clerk of the
Criminal District Court - Orleans Parish
Management Letter
November 23, 2020

Management's Corrective Action Plan:

See Management's Response Letter

Suggestion 2019-4 Payroll Advances

Statement of Condition: There were four (4) instances where payroll advances were made to employees. The amounts were immaterial and all advances were paid back to the Clerk within a month.

Criteria: In accordance with Louisiana Code R.S. 14:138, payroll advances are not permitted for public entities.

Cause: Non-compliance with Louisiana laws and regulations regarding public entities.

Effect or Potential Effect: Non-compliance with State laws could result in fines, penalties or imprisonment.

Recommendations: The Clerk should no longer issue payroll advances.

Management's Corrective Action Plan:

See Management's Response Letter

Suggestion 2019-5 Policies and Procedures

Statement of Condition: The policies and procedures adopted by the Clerk are directly from the LLA Best Practices website and are not modified with wording specifically for the Clerk.

Criteria: The Louisiana Legislative Auditor requires updated policies and procedures for each public entity in the State as part of ongoing required Agreed-Upon Procedures.

Cause: Copy and pasting from the Louisiana Legislative Auditor's website with no modifications.

Effect or Potential Effect: There may be Agreed-Upon Procedure findings for the Clerk if the policies are not updated and specified.

Recommendations: The Clerk should update their policies and procedures to match specifically to the Clerk's operations and update all applicable references.

Management's Corrective Action Plan:

See Management's Response Letter

The Office of the Clerk of the
Criminal District Court - Orleans Parish
Management Letter
November 23, 2020

Suggestion 2019-6 Annual Budget

Statement of Condition: Due to a clerical error, the original annual budget was submitted with a positive balance when in fact there was a deficit balance. This was a result of including in the budget, accounts not associated with the general fund.

Criteria: Louisiana State law prohibits any local governmental agency to adopt a budget that would result in a deficit of the fund balance.

Cause: A lack of review of the adopted budget which did not reveal the clerical error.

Effect or Potential Effect: Failure to comply with Louisiana State budget law.

Recommendations: The Clerk should make sure that the budget includes only accounts for the general fund, is balanced and proper reviews are done before adopting the budget. The Clerk amended the budget to comply with State law.

Management's Corrective Action Plan:

See Management's Response Letter

Suggestion 2019-7 Theft of Bond Funds

Statement of Condition: There was a theft in the magistrate's office in the amount of \$10,000 of bond money that was in a safe, awaiting to be deposited the next day. An investigation by the New Orleans Police Department ensued but has not been concluded. The Clerk recovered the stolen funds from the insurance company under its fidelity policy. The Clerk did not contact the Louisiana Legislative Auditor or the District Attorney as required under LA R.S. 24:523. See the attached Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations immediately following this letter.

Criteria: All next day deposits should be securely locked in a safe and security measures should be implemented for all cash locations.

Cause: The Clerk's office had security equipment was non-operational.

Effect or Potential Effect: Theft of funds may constitute fraud or misstatement of the financial statements.

Recommendations: The Clerk should make sure they have the proper controls in place to help prevent, detect, or deter fraud. The Clerk should institute periodic testing of the security equipment to make sure it is operating properly. If a theft or fraud occurs, the Clerk must contact the local District Attorney and the Louisiana Legislative Auditor immediately.

Management's Corrective Action Plan:

See Management's Response Letter

The Office of the Clerk of the
Criminal District Court - Orleans Parish
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November 23, 2020

Conclusion:

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

LeBlanc & Associates CPAs, L.L.C.

Metairie, LA
November 23, 2020

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Clerk of Criminal District Court – Orleans Parish

FISCAL YEAR END: December 31, 2019 (Management Letter – Suggestion 2019-7)

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	Theft of cash from the overnight safe drop
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Cash bond money received
3	The amount of funds or approximate value of assets involved.	\$10,000 cash
4	The department or office in which the fraud or misappropriation occurred.	Magistrate’s office
5	The period of time over which the fraud or misappropriation occurred.	July 3, 2019
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Assumed to be a deputy clerk
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Unknown / undetermined, investigation currently ongoing
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	Yes, no one was fired as a result, the investigation is ongoing
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	No
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes, contacted the New Orleans police department who is investigating
11	What is the status of the investigation at the date of the auditor’s/accountant’s report?	open
12	If the investigation is complete and the person believed to have committed the act of fraud or	n/a

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Clerk of Criminal District Court – Orleans Parish

FISCAL YEAR END: December 31, 2019 (Management Letter – Suggestion 2019-7)

	misappropriation has been identified, has the agency filed charges against that person?	
13	What is the status of any related adjudication at the date of the auditor’s/accountant’s report?	As of 11/23/2020 the case is pending
14	Has restitution been made or has an insurance claim been filed?	Insurance claim filed and \$10,000 recovered under insurance
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	No
16	Did the agency’s internal controls allow the detection of the fraud or misappropriation in a timely manner?	Yes, was discovered the next day when the Magistrate’s office performed a transfer for deposit with the Clerk’s accounting office
17	If the answer to the last question is “no,” describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	
18	Management’s plan to ensure that the fraud or misappropriation does not occur in the future	New cameras and new safe installed in Magistrate’s office, new procedures including the need for two employees to access the safe with individual codes



ARTHUR A. MORRELL
CLERK OF COURT



2700 Tulane Ave. #114
New Orleans, LA 70119

CLERK'S OFFICE
CRIMINAL DISTRICT COURT
CHIEF ELECTIONS OFFICER

OFFICE (504) 658-9000
FAX (504) 658-9183

Audit Findings

2019-001 Capital Assets Inventory Maintained in Accordance with Policy

All inventory purchased by the Clerk's office is tagged and logged. The Clerk's office will research older inventory to make available for cross referencing.

A handwritten signature in blue ink, appearing to read "A. Morrell".

Arthur A. Morrell
Clerk of Criminal District Court



ARTHUR A. MORRELL
CLERK OF COURT



2700 Tulane Ave. #114
New Orleans, LA 70119

CLERK'S OFFICE
CRIMINAL DISTRICT COURT
CHIEF ELECTIONS OFFICER

OFFICE (504) 658-9000
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Management Corrective Action Response

Suggestion 2019-1 Cash Receipts

Extra attention has been given to deposits and deposits are made in a timely manner. Unfortunately, due to the closing of the building for various occasions, thus preventing timely deposits. In the future more attention will be given in ensuring that timely deposits are made.

Suggestion 2019-2 Credit Cards

All credit card payments. And protocol has been done remotely. All approvals were given on a remote basis by phone coordination, we will ensure written verification in the future.

Suggestion 2019-3 Recording Entries

Recording entries. We have received the in accurate classifications. More diligence will be applied regarding classification. In the future.

Suggestion 2019-4 Payroll Advances

Due to litigation with the City of New Orleans, new employees were approved and started. The processing of payroll paperwork was delayed. To ensure compliance, the clerk will no longer issue payroll advances.

Suggestion 2019-5 Policies and Procedures

The clerk's office did adopt policies and procedures from the legislative auditors' best practices website. The clerk's office did modify wording that differed from the LLE best practices. We will review and adjust were needed.

Suggestion 2019-6 Annual Budget

Based upon review of the annual budget, the clerk's office has revised its formatting and will ensure future budgets comply without having the unnecessary accounts to adjust the balances.

Suggestion 2019-7 Theft of Bond Funds

The Clerk of Criminal District Court addressed the theft of bond funds by implementing new policies and procedures. We have installed new cameras. We have a buddy system safe, with a lock and code needed by two separate individuals. We have created a two employee cash bond staffing at all times to ensure oversight.

A handwritten signature in blue ink, appearing to read "A. Morrell".

Arthur A. Morrell

Clerk of Criminal District Court