

**CITY COURT OF MORGAN CITY**

Morgan City, Louisiana

Financial Report

Year Ended December 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Kim P. Stansbury, Judge  
City Court of Morgan City  
Morgan City, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City Court of Morgan City (hereinafter "Court"), a component unit of the City of Morgan City, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 Court's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court as of December 31, 2017, 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 budgetary comparison information and schedules of employer's share of net pension liability and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 34-37, schedule of employer's share of net pension liability on page 38, schedule of employer contributions on page 39, or note to retirement system schedules on page 40 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Court has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Court's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 29, 2018

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Net Position  
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 461,845
Accounts receivable	-
Prepaid expenses	2,167
Capital assets, net of accumulated depreciation	-
Total assets	<u>464,012</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>22,437</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,059
Payroll taxes payable	2,279
Due to other governments	4,850
Noncurrent liabilities:	
Net pension liability	<u>199,832</u>
Total liabilities	<u>209,020</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>3,667</u>
NET POSITION	
Net investment in capital assets	-
Restricted for special programs	434,787
Unrestricted (deficit)	<u>(161,025)</u>
Total net position	<u>\$ 273,762</u>

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Activities  
Year Ended December 31, 2017

Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	<u>\$644,615</u>	<u>\$ 178,909</u>	<u>\$ 516,135</u>	\$ 50,429
		General revenues:		
			Interest and investment earnings	<u>68</u>
			Change in net position	50,497
			Net position - January 1, 2017	<u>238,700</u>
			Net position - December 31, 2017	<u>\$ 289,197</u>

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

**FUND FINANCIAL STATEMENTS**

# **MAJOR FUNDS DESCRIPTIONS**

## **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

## **SPECIAL REVENUE FUND**

### **Juvenile Services Center**

To account for the receipt and use of fines collected for the operation and maintenance of the Juvenile Services Center.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Balance Sheet  
Governmental Funds  
December 31, 2017

	General	Juvenile Services Center	Total Governmental Funds
ASSETS			
Assets:			
Cash	\$ 29,557	\$ 432,288	\$ 461,845
Due from other governments	-	2,499	2,499
Prepaid expenditures	2,167	-	2,167
Total assets	\$ 31,724	\$ 434,787	\$ 466,511
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,059	\$ -	\$ 2,059
Payroll taxes payable	2,279	-	2,279
Due to other governments	4,850	-	4,850
Total liabilities	9,188	-	9,188
Fund balances:			
Nonspendable	2,167	-	2,167
Restricted	-	434,787	434,787
Unassigned	20,369	-	20,369
Total fund balances	22,536	434,787	457,323
Total liabilities and fund balances	\$ 31,724	\$ 434,787	\$ 466,511

(continued)

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Balance Sheet (continued)  
Governmental Funds  
December 31, 2017

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances for all governmental funds at December 31, 2017		\$ 457,323
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. Those assets consists of furniture, fixtures, and equipment.	\$ 182,407	
Less: Accumulated depreciation	<u>(169,471)</u>	<u>12,936</u>
Deferred outflows of resources related to net pension liability are not available and, therefore, are not reported in the funds		22,437
Liabilities not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability		(199,832)
Deferred inflows of resources related to net pension liability are not payable from current expendable resources and, therefore are not reported in the funds		<u>(3,667)</u>
Net position of governmental activities at December 31, 2017		<u>\$ 289,197</u>

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2017

	<u>General</u>	<u>Juvenile Services Center</u>	<u>Total Governmental Funds</u>
Revenues:			
Fees, charges and commissions -			
Court costs, fees, and fines	\$ 128,610	\$ 48,499	\$ 177,109
Grants	-	113,213	113,213
Intergovernmental	402,922	-	402,922
Other income	1,800	-	1,800
Interest income	18	50	68
Total revenues	<u>533,350</u>	<u>161,762</u>	<u>695,112</u>
Expenditures:			
Current-			
General government-			
Operating services	486,979	90,462	577,441
Materials and supplies	21,253	24,318	45,571
Travel and other charges	11,365	2,591	13,956
Other	50	-	50
Total expenditures	<u>519,647</u>	<u>117,371</u>	<u>637,018</u>
Excess of revenues over expenditures	13,703	44,391	58,094
Fund balances, beginning	<u>8,833</u>	<u>390,396</u>	<u>399,229</u>
Fund balances, ending	<u>\$ 22,536</u>	<u>\$ 434,787</u>	<u>\$ 457,323</u>

(continued)

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)  
Governmental Funds  
Year Ended December 31, 2017

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities:

Total net change in fund balances for the year ended December 31, 2017 per  
Statement of Revenues, Expenditures and Changes in Fund Balances \$ 58,094

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Depreciation expense for the year ended December 31, 2017 (3,581)

Effects of recording net pension liability and deferred inflows and  
outflows of resources related to net pension liability:

Increase in pension expense (4,016)

Total change in net position for the year ended December 31, 2017 per  
Statement of Activities \$ 50,497

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Fiduciary Net Position  
December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$362,624</u>
LIABILITIES	
Due to others	<u>\$362,624</u>

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements

INTRODUCTION

As provided by LSA-RS 13:1871 et seq, the City Court of Morgan City (the “Court”) accounts for the operation of the Court’s office. The City Court Judge is elected for a six-year term.

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

As the governing authority of the City, for reporting purposes, the City of Morgan City is the financial reporting entity. The financial reporting entity consists of the primary government (City), organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the City of Morgan City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

- 1) Appointing a voting majority of an organization’s governing body, and
  - a) The ability of the City to impose its will on that organization and/or
  - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
- 2) Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the City provides the Court with office space and pays the salaries and benefits of Court employees, the Court was determined to be a component unit of the City of Morgan City, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City, the general government services provided by the City, or other governmental units that comprise the financial reporting entity.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the 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.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Court as a whole. These statements include all the financial activities of the Court. Information contained in these statements reflects 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*.

The statement of activities presents a comparison between direct expenses and program revenues for the Court's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) court costs, fees, and fines paid by the recipients of services offered by the Court, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the statement of fiduciary net position at the fund financial statement level.

Fund Financial Statements

The 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 Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Court are classified into two categories: governmental and fiduciary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or its total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund and Juvenile Services Center Special Revenue Fund of the Court are considered to be major funds.

The funds of the Court are described below:

Governmental Funds –

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

General Fund – This fund is the primary operating fund of the Court and it accounts for the operations of the Court’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Court’s policy.

Juvenile Services Center Fund – This fund is used to account for the receipt and use of fines collected for the operation and maintenance of the Juvenile Service Center.

Fiduciary Funds –

Fiduciary fund reporting focuses on net position and changes in net position. The only funds accounted for in this category by the Court are agency funds. The agency funds account for assets held by the Court as an agent for litigants in civil suits, cash bonds for criminal proceedings, and fees held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the accrual basis of accounting. The agency funds are as follows:

Fines and Costs Fund – accounts for the receipt and disbursement of bonds, fines, and costs from criminal proceedings to the appropriate governmental entity.

Civil Court Fund – accounts for advance deposits in civil suits and the receipt and disbursement of civil docket fees, small claims fees, and garnishments.

Bond Fund – accounts for the collection of bonds and for the receipt and disbursement of fines and costs in criminal proceedings.

Concursus Fund – accounts for the bond forfeitures that have been paid under protest by insurance companies, pending further investigation.

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of a period.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

**Basis of Accounting**

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The types of transactions reported as program revenues for the Court are reported in two categories: 1) charges for services and 2) operating grants and contributions.

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

**D. Assets, Liabilities, and Equity**

**Cash and interest-bearing deposits**

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Court.

The Court has established the policy of including all short-term, highly liquid investments with maturities of 90 or fewer days in cash and cash equivalents. Under state law, the Court 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.

**Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the 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 or fewer days, they are classified as cash equivalents.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. 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 Court maintains a threshold level of \$500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. 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. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office Furniture	5 years
Equipment	5 years
Improvements	10-20 years

Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components

1. Net investment in capital assets - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, certificates of indebtedness, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

3. Unrestricted - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund financial statements

Fund balance for the Court’s governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal decision of the Judge, which is the highest level of decision-making authority.
4. Assigned - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned - amounts that are available for any purpose; these amounts can be reported only in the Court’s General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Court considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Court considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Judge has provided otherwise in commitment or assignment actions.

E. Deferred Outflows and Inflows of Resources

Deferred outflows (inflows) of resources are reported in separate sections of the financial statements representing a consumption (acquisition) of net position which applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) or an inflow of resources (revenue) until that time.

The Court reports deferred outflows and inflows of resources related to its net pension liability on its government-wide statement of net position. These amounts are being amortized over a period of five years.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

F. Revenues, Expenditures, and Expenses

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Revenues and fees, charges and commissions for services are recorded when the Court is entitled to the funds.

Interest on interest-bearing deposits is recorded or accrued as revenue when earned. Substantially all other revenues are recorded when received.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified by character.

G. 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 and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017, the Court has cash and cash equivalents (book balances) totaling \$824,469 as follows:

	<u>Governmental</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u>
Demand deposits	<u>\$ 461,845</u>	<u>\$ 362,624</u>	<u>\$824,469</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security 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 the amount on deposit with the fiscal agent bank. These securities are held in the name of the Court or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2017 are as follows:

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Bank balances	<u>\$ 845,878</u>
Federal deposit insurance	\$ 616,718
Uninsured and collateralized by pledged securities	<u>229,160</u>
Total FDIC insurance and pledged securities	<u>\$ 845,878</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Court's deposits may not be recovered or the Court may not be able to recover collateral securities that are in the possession of an outside party. The Court does not have a policy to monitor or reduce exposure to custodial credit risk. Deposits in the amount of \$229,160 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Court's name or uninsured and uncollateralized. Even though the pledged securities are not held in the name of the Court, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Court that the depository financial institution has failed to pay deposited funds upon demand.

State law requires amounts on deposit with financial institutions in excess of FDIC limits be fully secured and/or collateralized. Louisiana Revised Statute 39:1225 provides that the "amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States."

(3) Capital Assets

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Governmental activities:				
Furniture, fixtures, and equipment	\$ 182,407	\$ -	\$ -	\$ 182,407
Less: accumulated depreciation	<u>165,890</u>	<u>3,581</u>	<u>-</u>	<u>169,471</u>
Net capital assets	<u>\$ 16,517</u>	<u>\$ (3,581)</u>	<u>\$ -</u>	<u>\$ 12,936</u>

Depreciation expense of \$3,581 was charged to the general government function.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(4) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Court is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Juvenile Services Center	Total Governmental Funds
Fund balances			
Nonspendable -			
Prepaid items	\$ 2,167	\$ -	\$ 2,167
Restricted for -			
Special programs	-	434,787	434,787
Unassigned	20,369	-	20,369
Total fund balances	\$ 22,536	\$ 434,787	\$ 457,323

(5) Changes in Agency Fund Balances

A summary of changes in agency fund unsettled deposits follows:

	Fines and Costs Fund	Civil Court Fund	Bond Fund	Concursus Fund	Indigent Defender Fund	Total
Balance 1/1/2017	\$ 31,026	\$281,113	\$ 5,514	\$ 934	\$ -	\$ 318,587
Additions	396,022	112,838	495,072	31,075	31,469	1,066,476
Reductions	(419,703)	(97,211)	(455,560)	(31,986)	(17,979)	(1,022,439)
Balance 12/31/2017	\$ 7,345	\$296,740	\$ 45,026	\$ 23	\$ 13,490	\$ 362,624

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(6) Intergovernmental Transfers – City of Morgan City

Louisiana Revised Statutes 13:2005.B requires funds accumulated in the operations and maintenance account in excess of \$50,000 to be transferred to the General Fund of the City of Morgan City and shall be used for the purposes of construction and maintenance of the Court and related facilities. The balance in the operations and maintenance account at December 31, 2017 did not exceed the statutory limit of \$50,000; therefore, a transfer to the City of Morgan City is not required.

(7) On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires the Court to report on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. The basis for recognizing the revenues and expenditure payments is that the actual contribution is made by the City of Morgan City and not by the Court. In 2017, the City paid salaries and benefits, which include payments to the Parochial Employees' Retirement System and Louisiana State Employees' Retirement System (LASERS), to and for the Court Clerk, City Judge, Deputy Clerks, and Probation Officers. On-behalf payments recorded as revenue and expenditures in the general fund financial statements for the year ended December 31, 2017 totaled \$402,922.

(8) Retirement

*Plan Description*

Employees of the Court are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (LA R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefits terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at [www.lasersonline.org](http://www.lasersonline.org).

*Retirement Benefits*

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

*Deferred Retirement Benefits*

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

*Disability Benefits*

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60% of final average compensation, regardless of years of credited service. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

*Survivor Benefits*

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

*Permanent Benefit Increases/Cost-of-Living Adjustments*

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

*Contributions*

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (LA R.S. 11:401) and may be amended by the Louisiana Legislature. Employer contributions and employee contributions deducted from a member's salary are remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2017 for the various plans follow:

Plan	Plan Status	Employer Rate
Appellate Law Clerks	Closed	35.8%
Appellate Law Clerks hired on or after 7/01/06	Open	35.8%
Alcohol Tobacco Control	Closed	30.7%
Bridge Police	Closed	34.2%
Bridge Police hired on or after 7/01/06	Closed	34.2%
Corrections Primary	Closed	31.1%
Corrections Secondary	Closed	35.3%
Harbor Police	Closed	4.0%
Hazardous Duty	Open	36.1%
Judges hired before 1/1/2011	Closed	38.0%
Judges hired after 12/31/2010	Closed	36.7%
Judges hired on or after 7/01/15	Open	36.7%
Legislators	Closed	39.1%
Optional Retirement Plan (ORP) before 7/01/06	Closed	35.8%
Optional Retirement Plan (ORP) on or after 7/01/06	Closed	35.8%
Peace Officers	Closed	34.3%
Regular Employees hired before 7/01/06	Closed	35.8%
Regular Employees hired on or after 7/01/06	Closed	35.8%
Regular Employees hired on or after 1/1/11	Closed	35.8%
Regular Employees hired on or after 7/1/15	Open	35.8%
Special Legislative Employees	Closed	41.1%
Wildlife Agents	Closed	44.8%
Aggregate Rate		35.8%

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

The agency's contractually required composite contribution rate for the year ended December 31, 2017 was 38.0% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Court were \$17,053 for the year ended December 31, 2017.

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

At December 31, 2017, the Court reported a liability of \$199,832 for its proportionate share of the LASERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The Court's proportion of the net pension liability was based on a projection of the Court's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Court's proportion was 0.00284%, which did not change from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Court recognized pension expense of \$25,367 in its activities. At December 31, 2017, the Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,667
Net differences between projected and actual earnings on pension plan investments	6,498	-
Change in proportion and differences between employer contributions and proportionate share of contributions	7,087	-
Employer contributions subsequent to the measurement date	<u>8,852</u>	<u>-</u>
Total	<u>\$ 22,437</u>	<u>\$ 3,667</u>

Deferred outflows of resources of \$8,852 related to pensions resulting from Court's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

<u>Year</u>	
2018	\$ 5,888
2019	5,455
2020	2,600
2021	<u>(4,025)</u>
	<u>\$ 9,918</u>

*Contributions – Proportionate Share*

Differences between contributions remitted to the System and the employer's proportionate share 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 a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the Schedule of Pension Amounts by Employer due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

*Actuarial Assumptions*

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Valuation Date	June 30, 2017																				
Actuarial Cost Method	Entry Age Normal																				
Amortization approach	Closed																				
Expected Remaining Service Lives	3 years																				
Investment Rate of Return	7.70% per annum																				
Inflation Rate	2.75% per annum																				
Mortality Rates	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Health Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																				
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of the System's members.																				
Salary Increases	<p>Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Member Type</th> <th style="text-align: center; border-bottom: 1px solid black;">Lower Range</th> <th style="text-align: center; border-bottom: 1px solid black;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </tbody> </table>			Member Type	Lower Range	Upper Range	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
Member Type	Lower Range	Upper Range																			
Regular	3.8%	12.8%																			
Judges	2.8%	5.3%																			
Corrections	3.4%	14.3%																			
Hazardous Duty	3.4%	14.3%																			
Wildlife	3.4%	14.3%																			
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																				

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69% for 2017. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	-0.24%
Domestic equity	4.31%
International equity	5.35%
Domestic fixed income	1.73%
International fixed income	2.49%
Alternative investments	7.41%
Global tactical asset allocation	2.84%
Total Fund	5.26%

*Discount Rate*

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

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

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

	1.00% Decrease 6.70%	Current Discount Rate 7.70%	1.00% Increase 8.70%
Employer's proportionate share of the net pension liability	\$ 250,867	\$ 199,832	\$ 156,441

*Pension Plan Fiduciary Net Positions*

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

*Payables to the Pension Plan*

The Court recorded accrued liabilities to LASERS for the year ended December 31, 2017, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts payable. The balance due to LASERS as of December 31, 2017 is \$2,059.

(9) Compensation and Other Payments to Chief Officer

Act 706 of the 2014 Legislative Session amended R.S. 24:513(A) requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Expenses paid to Judge Kim Stansbury for the year ended December 31, 2017 are as follows:

Wages	\$ 45,221
Benefits - Retirement	16,903
Wages and benefits paid by the City of Morgan City on behalf of the City Court of Morgan City	50,485
Reimbursements - Conference Registration	2,475
Reimbursements - Dues	550
Reimbursements - Lodging	4,168
Reimbursements - Meals	2,183
Reimbursements - Travel	1,553
	\$ 123,538

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Budgetary Comparison Schedule  
General Fund  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Positive (Negative)
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$ 130,000	\$ 130,000	\$ 152,685	\$ 22,685
Other income	-	-	1,800	1,800
Interest income	<u>8</u>	<u>8</u>	<u>18</u>	<u>10</u>
Total revenues	<u>130,008</u>	<u>130,008</u>	<u>154,503</u>	<u>24,495</u>
Expenditures:				
Current-				
General government-				
Operating services	70,000	120,000	84,057	35,943
Materials and supplies	30,000	-	21,253	(21,253)
Travel and other charges	5,000	5,000	11,365	(6,365)
Other	-	-	50	(50)
Capital outlay	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>110,000</u>	<u>125,000</u>	<u>116,725</u>	<u>8,275</u>
Net change in fund balance	20,008	5,008	37,778	32,770
Fund balance, beginning	<u>146,785</u>	<u>16,406</u>	<u>8,833</u>	<u>(7,573)</u>
Fund balance, ending	<u>\$ 166,793</u>	<u>\$ 21,414</u>	<u>\$ 46,611</u>	<u>\$ 25,197</u>

*See notes to budgetary comparison schedule.*

CITY COURT OF MORGAN CITY  
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Budgetary Comparison Schedule  
Juvenile Services Center Fund  
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$ 98,000	\$ 80,000	\$ 48,499	\$ (31,501)
Other income	-	-	113,213	113,213
Total revenues	<u>98,000</u>	<u>80,000</u>	<u>161,712</u>	<u>81,712</u>
Expenditures:				
Current-				
General government-				
Operating services	28,000	130,000	90,462	39,538
Materials and supplies	10,000	-	24,318	(24,318)
Travel and other charges	1,200	-	2,591	(2,591)
Capital outlay	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>49,200</u>	<u>130,000</u>	<u>117,371</u>	<u>12,629</u>
Net change in fund balance	48,800	(50,000)	44,341	94,341
Fund balance, beginning	<u>289,042</u>	<u>289,042</u>	<u>390,396</u>	<u>101,354</u>
Fund balance, ending	<u>\$ 337,842</u>	<u>\$ 239,042</u>	<u>\$ 434,737</u>	<u>\$ 195,695</u>

*See notes to budgetary comparison schedule.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

General Fund

The budget for the General Fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

Juvenile Services Center Fund

The budget for the Juvenile Services Center Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

(2) Budgetary and Budgetary Accounting

The Court follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is prepared and submitted to the City Court Judge for the fiscal year prior to the beginning of each fiscal year.
2. If proposed expenditures exceed \$500,000, a summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called, if required.
3. If required, a public hearing is held on the proposed budget at least ten days after publication of the call for a hearing.
4. After the holding of the public hearing, if required, and completion of all action necessary to finalize and implement the budget, the budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Employer's Share of Net Pension Liability  
Year Ended December 31, 2017

(3) Non-GAAP Reporting Reconciliation

Budgetary amounts adopted by the Court for the General Fund do not include on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. These on-behalf payments are reflected as revenues and expenditures in the Court's financial statements as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Also, probation fees received by the Court are reported in the financial statements as Due to the City of Morgan City as reimbursement of salaries and related benefits. For budgetary purposes, probation fees are included as a component of fees, charges and commissions. Additionally, budget amounts do not include the residual transfer of accumulated excess to the City of Morgan City in accordance with Louisiana Revised Statute 13:2005(B).

Actual amounts for the General Fund are reconciled on a non-GAAP basis for comparison to budget as follows:

	As Reported	Adjustment to Budgetary Basis	Non-GAAP Basis
Revenues:			
Fees, charges & commissions	\$ 128,610	\$ 24,075	\$ 152,685
Intergovernmental	402,922	(402,922)	-
Total	\$ 531,532	\$ (378,847)	\$ 152,685
Expenditures:			
General government			
Operating services	\$ 486,979	\$ (402,922)	\$ 84,057

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Employer's Share of Net Pension Liability  
Year Ended December 31, 2017

Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.002500%	\$ 186,181	\$ 46,357	401.62%	62.66%
2016	0.002840%	\$ 223,091	\$ 48,085	463.95%	57.73%
2017	0.002840%	\$ 199,832	\$ 47,852	417.60%	62.54%

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Employer Contributions  
Year Ended December 31, 2017

Year Ended Dec 31	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 19,058	\$ 19,058	\$ -	\$ 48,085	39.63%
2016	\$ 18,303	\$ 18,303	\$ -	\$ 48,077	38.07%
2017	\$ 17,053	\$ 17,053	\$ -	\$ 43,656	39.06%

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

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Note to Retirement System Schedules

Louisiana State Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended December 31, 2017.

Changes of assumptions – Changes of assumptions for the year ended December 31, 2017 were as follows for the valuation date June 30, 2017:

- a) Investment rate of return used was 7.70%, a decrease from 7.75% in 2016.
- b) Inflation rate used was 2.75%, a decrease from 3.0% in 2016.

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

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

To the Honorable Kim P. Stansbury, Judge  
City Court of Morgan City  
Morgan City, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Morgan City (hereinafter "Court"), a component unit of the City of Morgan City, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and have issued our report thereon dated June 29, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Court's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2017-001 and 2017-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Court's Response to Findings**

The Court's responses to the findings identified in our audit are described in the accompanying corrective action plan for current audit findings. The Court's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 29, 2018

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Audit Results and Findings  
Year Ended December 31, 2017

Part I. Summary of Auditor's Results:

Unmodified opinions have been issued on the financial statements of the Court's governmental activities, each major fund (General Fund and Juvenile Services Center Special Revenue Fund), and the aggregate remaining fund information.

Deficiencies in internal control were disclosed by the audit of the financial statements and the conditions are considered to be material weaknesses.

No instances of noncompliance required to be reported under *Government Auditing Standards* were identified and included in Part II of this schedule.

A management letter was not issued.

Part II. Findings reported in accordance with *Government Auditing Standards*:

A. Internal Control

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Court's internal control over financial reporting includes those policies and procedures that pertain to the Court's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Audit Results and Findings (continued)  
Year Ended December 31, 2017

2017-002 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The Court's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

None

Part III. Findings and questioned costs for federal awards reported in accordance with the Uniform Guidance

Not applicable

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2017

A. Internal Control –

2016-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2017-001.

2016-002 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2017-002.

B. Compliance –

2016-003 – Collateralization of Bank Deposits

CONDITION: Bank balances with the Court's fiscal agent were under collateralized at December 31, 2016.

RECOMMENDATION: The Court should implement policies and procedures which cause a periodic review of amounts on deposit with financial institutions, excess deposits requiring collateralization, and any amounts pledged by the financial institutions to secure such excess deposits.

CURRENT STATUS: This issue has been resolved.

2016-004 – Local Government Budget Act

CONDITION: The Court incurred budget variances in excess of 5% in the Juvenile Services Center Fund.

RECOMMENDATION: The Court should implement policies and procedures to ensure compliance with the Local Government Budget Act.

CURRENT STATUS: This issue has been resolved.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Corrective Action Plan for Current Audit Findings  
Year Ended December 31, 2017

A. Internal Control –

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not applicable.

2017-002 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The Court has determined that it would be more cost effective to outsource the preparation of the Court's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

**CITY COURT OF MORGAN CITY**  
Morgan City, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period January 1, 2017 through December 31, 2017

# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES ON CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

To the Honorable Kim Stansbury, Judge  
City Court for the City of Morgan City  
Morgan City, Louisiana

We have performed the procedures enumerated below, which were agreed to by the City Court of Morgan City (hereinafter "Court") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Court's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated exceptions are as follows:

### *Written Policies and Procedures*

---

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

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

*The Court does not have written policies and procedures which address the functions noted above.*

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

---

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

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

### ***Bank Reconciliations***

---

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

*Obtained listing of client bank accounts from management and management's representation that the listing is complete.*

- 4. Using the listing provided by management, select all of the Court's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Obtained bank statements and/or reconciliations for all months in the fiscal period for five (5) bank accounts noting that reconciliations have been prepared for three (3) accounts for all months. The accounts for which the Court did not prepare a reconciliation for all months for the fiscal period had no reconciling activity during the period.*

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

*Obtained bank statements and/or reconciliations in the fiscal period for five (5) bank accounts. There was no evidence of review by management on any of the bank reconciliations.*

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

*Obtained bank statements and/or reconciliations in the fiscal period for five (5) bank accounts noting no evidence of researching reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period for two (2) accounts. Three (3) accounts tested evidenced no reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.*

***Collections***

---

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

*Obtained listing of cash collection location and management's representation that the listing is complete.*

6. Using the listing provided by management, select all of the Court's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

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

*Two (2) locations, the Court's office and the Juvenile Center, were determined to be cash collection locations. At the first collection location tested, the Court's office, one (1) of (4) individuals responsible for collecting cash was also—*

- Not responsible for depositing cash in the bank.*
- Responsible for recording the deposit.*
- Not responsible for reconciling the bank statements.*

*No individuals responsible for collecting cash were appropriately bonded.*

*At the second collection location tested, the Juvenile Center,*

*two (2) of three (3) individuals responsible for collecting cash were also—*

- Responsible for depositing cash in the bank.*
- Not responsible for reconciling the bank statements.*

*one (1) of three (3) individuals responsible for collecting cash was also—*

- Responsible for recording the deposit.*
- Not responsible for reconciling the bank statements.*

*At each location, all individuals responsible for collecting cash shared the same cash drawer (one at the Court, one at the Juvenile Center). At each location tested, no individuals responsible for collecting cash were responsible for reconciling the bank statement.*

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

*The Court and the Juvenile Center both have a formal process to reconcile cash collections to the general ledger by a person who is not responsible for collecting cash.*

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

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

*Of the two (2) deposits selected for testing at the Court collection location, three (3) item/s were deposited within two (3) business days of collection. Six (6) items were deposited within two (2) business days of collection. Seven (7) deposits were made within one (1) day of collection.*

- Using Juvenile Center collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*Of the two (2) deposits selected for testing at the Juvenile Center cash collection location, two (2) items were deposited within four (4) business days of collection. One (1) item was deposited within three (3) business days of collection. Two (2) items were deposited within two (2) business days of collection. Three (3) items were deposited within one (1) business day of collection.*

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

*With the exceptions of one (1) receipt range, all contained within the same missing receipt book, all collection documentation was obtained and adequately supported at both cash collection locations.*

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

*Neither the Court nor the Juvenile Center have a written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.*

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

---

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

*Obtained listing of disbursements from management and management's representation that the listing is complete.*

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

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

*Of the twenty-five (25) transactions tested, none were initiated using a requisition/purchase order system or electronic equivalent. The Court does not utilize a requisition/purchase order system.*

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

*Not applicable – The Court does not utilize a requisition/purchase order system.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Examined supporting documentation for each of the twenty-five (25) disbursements selected for testing, noting all payments were processed having a receiving report or equivalent document and an approved invoice, as necessary. No disbursements had an accompanying purchase order as the Court does not utilize a purchase order system.*

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

*The Court does not have written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.*

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

*The Court does not have written documentation prohibiting individuals with signatory authority from initiating and/or recording purchases.*

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

*The supply of unused checks is in a locked location and persons not having signatory authority have no access to those checks.*

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

*Not applicable – signature stamp or signature machine is not used.*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

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

*Not applicable – the Court neither possesses, nor does it utilize, any form of credit, debit, fuel, or purchasing card.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Court has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

*Not applicable.*

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*Not applicable.*

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

*Not applicable.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

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

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

### ***Travel and Expense Reimbursement***

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

*Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.*

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

*The Court does not have written policies regarding travel and expense reimbursements; however, documentation evidencing the Court reimbursing mileage at a rate of \$0.585/mile (which exceeds GSA rates), was observed. Two (2) separate Per Diem Rates were also established by the Supreme Court, and one of the two is applied, contingent upon time of departure; neither Per Diem Rate matches the GSA rates observed. In accordance with Supreme Court Rules, Part G., Sec. 1(e), expense vouchers are to be submitted to the Judicial Administration no later than the tenth day of the subsequent month.*

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

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

*The Court does not have written policies regarding travel and expense reimbursements. All eight (8) of the travel and expense reimbursements examined for Judge Stansbury during the fiscal year had documentation showing mileage rates that exceeded the GSA rates; however, in accordance with Supreme Court Rules, Part G., Sec. 1(e), expense vouchers for each month are to be submitted to the Judicial Administration no later than the tenth day of the subsequent month.*

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*Each expense appearing on the reimbursement report was supported by an original itemized receipt precisely identifying the purchase. Also, in accordance with Supreme Court Rules, Part G., Sec. 1(e), expense vouchers for each month are to be submitted to the Judicial Administration no later than the tenth day of the subsequent month.*

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

*Each expense appearing on the reimbursement report was supported by documentation of the business/public purpose. Also, in accordance with Supreme Court Rules, Part G., Sec. 1(e), expense vouchers for each month are to be submitted to the Judicial Administration no later than the tenth day of the subsequent month.*

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

*The Court does not have a written policy regarding travel and expense reimbursements.*

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

*Nature of the expenses reimbursed and related supporting documentation were not obscured and all reimbursements tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.*

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

*Reimbursement requests and related documentation show approval, in writing, by someone other than the person receiving the reimbursement.*

### **Contracts**

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

*Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.*

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

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

*Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.*

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

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

*None of the five (5) contracts selected for testing were subject to the requirements of the Public Bid Law. There was no evidence of noncompliance observed with any of the applicable legal requirements.*

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

*None of the five (5) contracts selected for testing were subject to the requirements of the Public Bid Law. Quotes were not solicited as a best practice for the bus driver due to predetermined limitations set by the school board on who could provide contractual labor. Per Inquiry of Patricia Ott, all other four (4) of the contracts have been ongoing for a period of time which predates her authority over such matters.*

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

*One (1) of the five (5) contracts tested was amended to include additional fees of \$150 due to rising costs since the contracts original formation. Original contract terms provided for such amendments.*

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

*Obtained supporting invoices and/or progress payments for the largest payment of the five (5) contracts selected for testing and compared to the contract terms. Invoices and related payments appear compliant with the terms and conditions of the contract.*

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

*The Court does not have written policies regarding contracts and contract approval.*

### ***Payroll and Personnel***

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

*Obtained a listing of elected officials from management and management's representation that the listing is complete.*

Randomly select five employees/officials, obtain their personnel files, and:

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

*Compensation paid to the sole, elected, individual tested was made in accordance with Supreme Court's authorized pay rates and/or contracts for employment without exception.*

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

*Changes made to compensation for filing fees during the fiscal year were appointed by the Supreme Court of Louisiana and approved in writing by Chairman of the Supreme Court, Justice James T. Genovese.*

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

*The sole Court Employee, Judge Stansbury is an elected official and does not document his attendance and leave.*

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*The sole Court Employee, Judge Stansbury is an elected official and does not document his attendance and leave.*

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

*The sole Court Employee, Judge Stansbury is an elected official and does not document his attendance and leave.*

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

*The sole Court Employee, Judge Stansbury is an elected official and does not document his attendance and leave.*

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

*Not applicable – there were no terminations during the fiscal period.*

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

*There were two exceptions regarding the payment of the employer and employee portions of payroll taxes and one exception regarding the payment of retirement contributions. No other exceptions were noted.*

***Ethics (excluding nonprofits)***

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

*Obtained ethics compliance documentation for sole employee of the Court. Documentation of the completion of the required ethics training was on file for individual tested.*

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

*Management asserted that there were no allegations of ethics violations reported during the fiscal period.*

***Debt Service (excluding nonprofits)***

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

*Not applicable – Court did not issue any new debt during the fiscal period.*

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

*Not applicable – Court had no outstanding debt during the fiscal period.*

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

*The Commission had no tax millages relating to debt service during the fiscal period.*

***Other***

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

*Management asserted that there were no misappropriations of public funds or assets during the fiscal period.*

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

*Notice required by RS 24:523.1 was posted on Court’s premises, but not on its website.*

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

*No exceptions to management's representations.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the Court's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 19, 2018