

Financial Report

City Court of Houma

Houma, Louisiana

For the year ended December 31, 2018

Financial Report

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For the year ended December 31, 2018

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For the year ended December 31, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the General Fund and Fiduciary Funds of City Court of Houma, State of Louisiana (City Court), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities, the General Fund and fiduciary funds of City Court of Houma as of December 31, 2018, and the respective changes in financial position for the governmental activities and General Fund and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Policy

As discussed in Notes 1n and 7 to the financial statements, City Court adopted new guidance in Governmental Accounting Standards Board Statement No. 75 (GASBS 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect of adopting GASBS 75 was to restate opening net position as of January 1, 2018 by \$1,464,589. Furthermore, during the year ended December 31, 2018, City Court adopted an optional Medicare Advantage (MA) plan, which 70% of Plan retirees elected to participate. The effect for the retirees election to participate in the MA reduced the OPEB expense by \$1,196,789.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 4 through 8, the Schedule of Changes in City Court's Total OPEB Liability and Related Ratios on page 47, the Schedules of City Court's Proportionate Share of Net Pension Liability on pages 48 and 49 and the Schedules of City Court Contributions on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City Court's basic financial statements. The accompanying supplementary information on page 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management

and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2019 on our consideration of City Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City Court's internal control over financial reporting and compliance.

Bougesin Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
June 3, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Court of Houma

The Management's Discussion and Analysis of City Court of Houma's (City Court) financial performance presents a narrative overview and analysis of City Court's financial activities for the year ended December 31, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

City Court's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of fiscal year 2018 by \$998,948 (net deficit), which represents a 52.05% increase from last fiscal year's restated balance. The deficit is primarily the result of recognition of long-term obligations for compensated absences (GASB Statement No. 16) and other postemployment benefits (GASB Statement No. 75).

City Court's revenue decreased by \$67,319 (or 3.53%) primarily due to decreases in charges for services.

City Court's expenses decreased by \$1,402,585 (or 64.96%) primarily due to decreases in personal services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of City Court's financial position. As of December 31, 2018, liabilities and deferred inflows of resources, exceeded assets and deferred outflows of resources by \$998,948. Deferred outflows and inflows of resources are related to City Court's participation in multi-employer defined benefit pensions and other post-employment benefits. A portion of City Court's net position (deficit) reflects its investment in capital assets (e.g., office equipment and furniture). Consequently, these assets are not available for future spending.

Condensed Statements of Net Position

| | December 31, | | Dollar |
|--|---------------------|-----------------------|---------------------|
| | 2018 | 2017, restated | Change |
| Current assets | \$ 881,479 | \$ 904,618 | \$ (23,139) |
| Net pension asset | 96,233 | - | 96,233 |
| Capital assets | 34,868 | 68,356 | (33,488) |
| Deferred outflows of resources | <u>179,781</u> | <u>273,692</u> | <u>(93,911)</u> |
| | | | |
| Total assets and deferred outflows of resources | <u>1,192,361</u> | <u>1,246,666</u> | <u>(54,305)</u> |
| | | | |
| Long-term obligations | 1,817,690 | 3,137,774 | (1,320,084) |
| Current liabilities | 115,943 | 150,808 | (34,865) |
| Deferred inflows of resources | <u>257,676</u> | <u>41,256</u> | <u>216,420</u> |
| | | | |
| Total liabilities and deferred inflows of resources | <u>2,191,309</u> | <u>3,329,838</u> | <u>(1,138,529)</u> |
| | | | |
| Net positions (deficit): | | | |
| Net investment in capital assets | 34,868 | 68,356 | (33,488) |
| Unrestricted | <u>(1,033,816)</u> | <u>(2,151,528)</u> | <u>1,117,712</u> |
| Total net position | <u>\$ (998,948)</u> | <u>\$ (2,083,172)</u> | <u>\$ 1,084,224</u> |

Current and other assets decreased due to a decrease in cash and cash equivalents as of December 31, 2018. As of December 31, 2018, City Court recognized a net pension asset of \$96,233 for its portion of participation in the Parochial Employees' Retirement System. Long-term obligations for compensated absences and other postemployment benefits of \$80,668 and \$1,183,829, respectively, have been recorded as of December 31, 2018. An increase in long-term obligations is due to the implementation of GASB No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", at December 31, 2018 which required City Court to recognize the total OPEB liability. Deferred outflows and inflows of resources are a result of accounting for pensions and other post-employment benefits.

Governmental Activities

Governmental activities for the year increase City Court's net position (deficit) by \$1,084,224. GASB No. 75 required City Court to retroactively recognize the balance of the unfunded actuarial liability for OPEB. Beginning net position (deficit) was increase by \$1,464,589. Key elements of this increase are as follows:

Condensed Statements of Activities

| | For the Year Ended | | Dollar Change | Total Percentage Change |
|-------------------------------------|--------------------|----------------|------------------|-------------------------------|
| | 2018 | 2017 | | |
| Program revenues | | | | |
| Charges for services | \$ 856,463 | \$ 922,632 | \$ (66,169) | -7.17% |
| Operating grants | 977,456 | 976,191 | 1,265 | 0.13% |
| General revenues | | | | |
| Interest | 6,925 | 6,456 | 469 | 7.26% |
| Miscellaneous | 16 | 2,900 | (2,884) | -99.45% |
| Total revenues | 1,840,860 | 1,908,179 | (67,319) | -3.53% |
| Expenses | | | | |
| Judicial Activities | 756,636 | 2,159,221 | (1,402,585) | -64.96% |
| Increase (decrease) in net position | 1,084,224 | (251,042) | 1,335,266 | 531.89% |
| Net position (deficit) | | | | |
| Beginning of year | (2,083,172) | (367,541) | (1,715,631) | 466.79% |
| Implementation of GASB No. 75 | - | (1,464,589) | 1,464,589 | 100.00% |
| Beginning of year, as restated | (2,083,172) | (1,832,130) | (251,042) | 13.70% |
| End of year | \$ (998,948) | \$ (2,083,172) | \$ 1,084,224 | 52.05% |

In 2018, City Court's revenues decreased \$67,319 primarily due to decreases in the number of criminal, civil and juvenile cases. During the year ended December 31, 2018, expenses decreased \$1,402,585, primarily due to a change in benefits from a PPO plan to Medicare Advantage plan, in which 70.00% of retirees 65 years or older voluntarily enrolled, primarily leading to a decrease in total personal service expense of \$1,360,892.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of City Court's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing City Court's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, City Court's General Fund's ending fund balance is \$757,461, which is an increase of \$10,753 in comparison with the prior year. The entire balance is unassigned and available for spending at City Court's discretion.

General Fund Budgetary Highlights

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

City Court's investment in capital assets for its governmental activities as of December 31, 2018, amounts to \$34,868 (net of accumulated depreciation). This net investment in capital assets includes furniture and equipment (see the table below).

| | <u>2018</u> | <u>2017</u> |
|-------------------------|------------------|------------------|
| Furniture and equipment | <u>\$ 34,868</u> | <u>\$ 68,356</u> |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

REQUESTS FOR INFORMATION

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

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

December 31, 2018

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets and deferred outflows of resources | |
| Cash and cash equivalents | \$ 773,404 |
| Investments | 100,000 |
| Prepaid insurance | 8,075 |
| Net pension asset | 96,233 |
| Capital assets - Depreciable, net of accumulated depreciation | <u>34,868</u> |
| Total assets | 1,012,580 |
| Deferred outflows of resources - pensions | <u>179,781</u> |
| Total assets and deferred outflows of resources | <u>1,192,361</u> |
| Liabilities and deferred inflows of resources | |
| Accounts payable and accrued expenditures | 1,870 |
| Due to Terrebonne Parish Consolidated Government | 114,073 |
| Long-term obligations - due after one year | <u>1,817,690</u> |
| Total liabilities | <u>1,933,633</u> |
| Deferred inflows of resources | |
| Other postemployment benefits | 78,709 |
| Pensions | <u>178,967</u> |
| Total deferred inflows of resources | <u>257,676</u> |
| Total liabilities and inflows of resources | <u>2,191,309</u> |
| Net Position | |
| Net investment in capital assets | 34,868 |
| Unrestricted | <u>(1,033,816)</u> |
| Total net position | <u>\$ (998,948)</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES**City Court of Houma**

For the year ended December 31, 2018

| | <u>Program Revenue</u> | | Net (Expense) | |
|---|------------------------|-------------------|---------------------|---------------------|
| <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | Revenue and | |
| | <u>Services</u> | <u>Grants</u> | Changes in | |
| | | | <u>Net Position</u> | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Judicial activities | <u>\$ 756,636</u> | <u>\$ 856,463</u> | <u>\$ 977,456</u> | \$ 1,077,283 |
| General Revenues: | | | | |
| Interest and investment income | | | | 6,925 |
| Miscellaneous | | | | <u>16</u> |
| Change in net position | | | | 1,084,224 |
| Net position (deficit) - beginning, as restated | | | | <u>(2,083,172)</u> |
| Net position (deficit) - ending | | | | <u>\$ (998,948)</u> |

See notes to financial statements.

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

December 31, 2018

Assets

| | | |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 773,404 |
| Investments | | <u>100,000</u> |
| Total assets | \$ | <u><u>873,404</u></u> |

Liabilities

| | | |
|--|----|----------------|
| Accounts payable | \$ | 1,870 |
| Due to Terrebonne Parish Consolidated Government | | <u>114,073</u> |
| Total liabilities | | 115,943 |

Fund Balance

| | | |
|------------------------------------|----|-----------------------|
| Unassigned | | <u>757,461</u> |
| Total liabilities and fund balance | \$ | <u><u>873,404</u></u> |

See notes to financial statements.

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

City Court of Houma

December 31, 2018

| | | | |
|---|----|------------------|-------------------------|
| Fund Balance - Governmental Fund | | \$ | 757,461 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund. | | | |
| Governmental capital assets | \$ | 180,712 | |
| Less accumulated depreciation | | <u>(145,844)</u> | 34,868 |
| Long-term assets are not financial resources and, therefore, are not reported in the governmental fund. | | | |
| Net pension asset | | | 96,233 |
| Prepaid expenses reported in governmental activities are not financial resources and therefore are not reported in the governmental fund. | | | |
| Prepaid insurance | | | 8,075 |
| Deferred outflows of resources used in governmental activities are not financial resources and are not reported in governmental funds | | | |
| | | | 179,781 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund. | | | |
| Net pension liability | | (553,193) | |
| Other postemployment benefit obligation | | (1,183,829) | |
| Compensated absences payable | | <u>(80,668)</u> | (1,817,690) |
| Deferred inflows of resources are not due and payable in the current period and are not reported in governmental funds | | | |
| Pensions | | (178,967) | |
| Other postemployment benefits | | <u>(78,709)</u> | <u>(257,676)</u> |
| Net Position of Governmental Activities | | \$ | <u>(998,948)</u> |

See notes to financial statements.

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

For the year ended December 31, 2018

Revenues

| | | |
|---|----|------------------|
| Charges for services: | | |
| Criminal fees | \$ | 195,471 |
| Civil fees | | 418,728 |
| Juvenile fees | | 63,027 |
| Building fees | | 179,237 |
| Intergovernmental revenue | | |
| Federal | | 51,744 |
| State of Louisiana | | 67,756 |
| Terrebonne Parish Consolidated Government | | 857,956 |
| Miscellaneous | | |
| Interest and investment income | | 6,925 |
| Other | | 16 |
| | | <u>1,840,860</u> |
| Total revenues | | <u>1,840,860</u> |

Expenditures

| | | |
|--------------------------------|--|------------------|
| Current: | | |
| General government: | | |
| Personal services | | 1,444,101 |
| Supplies and materials | | 58,636 |
| Other services and charges | | 218,286 |
| Repairs and maintenance | | 8,151 |
| Professional services | | 31,332 |
| Travel, education and seminars | | 22,130 |
| Computer services | | 26,954 |
| Miscellaneous | | 20,517 |
| | | <u>1,830,107</u> |
| Total general government | | 1,830,107 |
| Capital outlay | | <u>-</u> |
| Total expenditures | | <u>1,830,107</u> |

Excess of Revenues

| | | |
|--------------------------|--|--------|
| Over Expenditures | | 10,753 |
|--------------------------|--|--------|

Fund Balance

| | | |
|-------------------|----|----------------|
| Beginning of year | | <u>746,708</u> |
| End of year | \$ | <u>757,461</u> |

See notes to financial statements.

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

City Court of Houma

For the year ended December 31, 2018

Net Change in Fund Balance - Governmental Fund \$ 10,753

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

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

Depreciation expense (33,488)

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

| | | |
|-------------------------------|----------------|------------------|
| Increase in prepaid insurance | \$ 973 | |
| Pension expense | (925) | |
| Other postemployment benefits | 1,111,120 | |
| Compensated absences | <u>(4,209)</u> | <u>1,106,959</u> |

Change in Net Position of Governmental Activities \$ 1,084,224

See notes to financial statements.

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

City Court of Houma

For the year ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services: | | | | |
| Criminal fees | \$ 312,000 | \$ 206,038 | \$ 195,471 | \$ (10,567) |
| Civil fees | 360,000 | 452,490 | 418,728 | (33,762) |
| Juvenile fees | 100,000 | 68,056 | 63,027 | (5,029) |
| Building fees | 158,000 | 179,237 | 179,237 | - |
| Intergovernmental revenue | | | | |
| Federal | 52,000 | 51,744 | 51,744 | - |
| State of Louisiana | - | - | 67,756 | 67,756 |
| Terrebonne Parish | | | | |
| Consolidated Government | 824,000 | 857,956 | 857,956 | - |
| Miscellaneous | | | | |
| Interest and investment income | 4,000 | 6,925 | 6,925 | - |
| Other | - | 15 | 16 | 1 |
| Total revenues | <u>1,810,000</u> | <u>1,822,461</u> | <u>1,840,860</u> | <u>18,399</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Reimbursement to Terrebonne | | | | |
| Parish Consolidated Government | 1,169,600 | 1,316,712 | - | 1,316,712 |
| Personal services | 91,500 | 94,522 | 1,444,101 | (1,349,579) |
| Supplies and materials | 52,000 | 60,621 | 58,636 | 1,985 |
| Other services and charges | 177,600 | 195,955 | 218,286 | (22,331) |
| Repairs and maintenance | 9,400 | 8,151 | 8,151 | - |
| Professional services | 48,700 | 29,674 | 31,332 | (1,658) |
| Travel, education and seminars | 57,300 | 34,211 | 22,130 | 12,081 |
| Computer services | 51,400 | 19,864 | 26,954 | (7,090) |
| Miscellaneous | 41,000 | 22,175 | 20,517 | 1,658 |
| Total general government | <u>1,698,500</u> | <u>1,781,885</u> | <u>1,830,107</u> | <u>(48,222)</u> |
| Capital outlay | <u>7,200</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>1,705,700</u> | <u>1,781,885</u> | <u>1,830,107</u> | <u>(48,222)</u> |
| Excess of Revenues Over Expenditures | | | | |
| | 104,300 | 40,576 | 10,753 | (29,823) |
| Fund Balance | | | | |
| Beginning of year | <u>742,000</u> | <u>746,708</u> | <u>746,708</u> | <u>-</u> |
| End of year | <u>\$ 846,300</u> | <u>\$ 787,284</u> | <u>\$ 757,461</u> | <u>\$ (29,823)</u> |

See notes to financial statements.

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

December 31, 2018

| | Agency Funds | | | Total Agency Funds |
|--|-------------------|------------------|------------------|--------------------------|
| | Civil Fund | Criminal Fund | Bond Fund | |
| Assets | | | | |
| Cash and cash equivalents | \$ 196,854 | \$ 2,034 | \$ 10,675 | \$ 209,563 |
| Investments | 550,000 | - | - | 550,000 |
| Total assets | <u>\$ 746,854</u> | <u>\$ 2,034</u> | <u>\$ 10,675</u> | <u>\$ 759,563</u> |
| Liabilities | | | | |
| Civil funds held for future disposition | \$ 746,854 | | | \$ 746,854 |
| Criminal funds held for future disposition | - | \$ 2,034 | | 2,034 |
| Bond funds held for future disposition | - | - | \$ 10,675 | 10,675 |
| Total liabilities | <u>\$ 746,854</u> | <u>\$ 2,034</u> | <u>\$ 10,675</u> | <u>\$ 759,563</u> |

See notes to financial statements.

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

December 31, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

The Judge for City Court is an independently elected official with a six year term. However, City Court is fiscally dependent on the Terrebonne Parish Consolidated Government (the Parish) for the payment of salaries, courthouse space, maintenance, utilities and other office expenses. Each year the Parish budgets a certain amount of expenditures which will be paid on behalf of City Court. All expenditures exceeding the Parish's budget shall be paid by City Court. Accordingly, City Court has been determined to be a component unit of the Parish and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2018.

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (continued)

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

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

b) Basis of Presentation

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Fiduciary Funds:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements:

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

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

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

d) Use of Estimates

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, Management adopted a budget for City Court's General Fund. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by Management. City Court amended its budget once during the year. All budgeted amounts that are not expended, or obligated through contracts, lapse at year-end.

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America. The General Fund budget presentation is included in the financial statements, see Exhibit G.

f) Accounts Receivable

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

g) Capital Assets

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

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$1,000 or more are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Assets (continued)

| | |
|-------------------------|--------------|
| Furniture and equipment | 5 - 10 years |
|-------------------------|--------------|

Fund Financial Statements:

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

h) Long-Term Obligations

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

i) Vacation and Sick Leave

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Vacation and Sick Leave (continued)

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

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

j) Pensions

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

k) Deferred Outflows of Resources

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

l) Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report deferred inflows of resources from pensions and other postemployment benefits in City Court's government-wide statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Equity

Government-wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At December 31, 2018 City Court had no outstanding borrowings.
- b. Restricted net position – Consists of assets and deferred outflow of resources less liabilities and deferred inflow of resources (net position) with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is City Court’s policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2018 and for the year then ended, City Court did not have or receive restricted resources.

Fund Financial Statements:

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Equity (continued)

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

For the classification of government fund balances, City Court considers an expenditure to be made from the most restrictive first when more than one classification is available. City Court’s fund balance was classified as unassigned as of December 31, 2018.

n) Restatement of Net Position

Effective for the year ended December 31, 2018, City Court implemented GASB Statement No. 75, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*” Implementation of the new accounting standard required restatement of beginning net position for the net OPEB liability.

The restatement had the following impact on previously reported balances:

| Statement of Activities | Governmental Activities |
|--|----------------------------|
| Net Position, January 1, 2018 as previously reported | \$ (618,583) |
| Restatement for implementation of GASB Statement No. 75, see Note 1o). | (1,464,589) |
| Net position, January 1, 2018 | \$ (2,083,172) |

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements

During the year ending December 31, 2018, City Court implemented the following GASB Statements:

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Implementation of this Statement required the restatement of net position as of January 1, 2018 for the cumulative unfunded actuarial liability as described in Note 1n).

Statement No. 85, "*Omnibus 2017*." On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. This Statement did not affect City Court's financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Earlier application is encouraged. This Statement did not affect City Court's financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

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

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

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

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 30, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this Statement on the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

Statement No. 90, "*Majority Equity Interest*" improves the consistency and comparability of reporting government's majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as component unit. The requirements of this Statement are effective for reporting period beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

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

Bank Deposits:

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

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

The year-end balances of deposits are as follows:

| | Bank Balances | Report Amount |
|-------------------------|---------------------|---------------------|
| Cash | 1,080,595 | 982,967 |
| Certificates of Deposit | 650,000 | 650,000 |
| Totals | \$ 1,730,595 | \$ 1,632,967 |

Custodial credit risk is the risk that in the event of a bank failure, City Court's deposits may not be returned to it. City Court has a written policy for custodial credit risk, which reflects state law. As of December 31, 2018, \$830,897 of City Court's bank balance of \$1,730,595 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in City Court's name as allowed by state statutes.

At December 31, 2018, cash was adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of City Court. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though these deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

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

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

| | | | |
|--|--|-----------|-----------------------|
| Report amount | | \$ | 1,632,967 |
| Less amounts reports in the Statement of Fiduciary Funds: | | | |
| Cash and cash equivalents | | | (209,563) |
| Investments | | | <u>(550,000)</u> |
| Total | | \$ | <u>873,404</u> |
| | | | |
| Governmental Fund Balance Sheet | | | |
| Cash and cash equivalents | | \$ | 773,404 |
| Investments | | | <u>100,000</u> |
| Total | | \$ | <u>873,404</u> |

Note 3 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

| | <u>Balance January 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31, 2018</u> |
|------------------------------------|--|--------------------|------------------|--|
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 181,720 | \$ - | \$ (1,008) | \$ 180,712 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | <u>(113,364)</u> | <u>(33,488)</u> | <u>1,008</u> | <u>(145,844)</u> |
| Total capital assets, net | <u>\$ 68,356</u> | <u>\$ (33,488)</u> | <u>\$ -</u> | <u>\$ 34,868</u> |

Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures amounted to \$1,870 at December 31, 2018 and consisted of vendor invoices for operating expenditures.

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

Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES (Continued)

| | |
|--------------------|-------------------|
| Operating expenses | \$ 102,887 |
| Building fund fees | <u>11,186</u> |
| Totals | <u>\$ 114,073</u> |

Note 5 - LONG-TERM OBLIGATIONS

Long-term obligations consist of accumulated earned and unpaid vacation and sick leave, other postemployment benefits and net pension liabilities and all are due in excess of one year. The following is a summary of changes in the long-term obligations of City Court for the year ended December 31, 2018:

| | Payable January 1, 2018 | Increase | Decrease | Payable December 31, 2018 |
|--|-------------------------------|------------------|-----------------------|---------------------------------|
| Accumulated unpaid annual leave | \$ 76,459 | \$ 91,919 | \$ (87,710) | \$ 80,668 |
| Other postemployment benefits, restated | 2,373,658 | - | (1,189,829) | 1,183,829 |
| Net pension liability | | | | |
| Parochial Employees' Retirement System | 102,021 | - | (102,021) | - |
| Louisiana State Employees' Retirement System | <u>585,636</u> | <u>-</u> | <u>(32,443)</u> | <u>553,193</u> |
| Totals | <u>\$ 3,137,774</u> | <u>\$ 91,919</u> | <u>\$ (1,412,003)</u> | <u>\$ 1,817,690</u> |

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

Note 6 - RISK MANAGEMENT

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

Note 6 - RISK MANAGEMENT (Continued)

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

| <u>Policy</u> | <u>Coverage Limit</u> |
|-----------------------|-----------------------|
| General Liability | \$ 10,000,000 |
| Workers' Compensation | Statutory |

Coverage for general liability claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$4,706,219 at December 31, 2017, then secondly by City Court. The Parish is self-insured for the first \$175,000 of each claim relating to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2017 was \$18,310,378. Insurance contracts cover the excess liability on individual claims. Covered employees are subject to a lifetime maximum claims limit. Coverage for group health claim liabilities are to be funded first by assets of the Parish's group health internal service fund, \$550,247 at December 31, 2017, then secondly by City Court. Worker's compensation claims in excess of \$550,000 are covered under an insurance contact for claims aggregate up to limits are to be funded first by assets of the Parish's workers' compensation internal service fund. At December 31, 2018, City Court had no claims in excess of the above coverage limits. Total premiums paid to the Parish for insurance coverage during the year ended December 31, 2018 totaled \$314,256.

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

City Court administers a single employer defined benefit healthcare plan (the Plan) through the Parish's Group Insurance Fund. The Plan provides for the payment of medical, dental and life insurance premiums for eligible employees, retirees and their dependents. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Louisiana Revised Statute 33:5161 provided the authority of the City Court Judge to establish and amend the benefit terms and financing. For employees retiring before January 1, 2005 City Court funds the entire premium for all benefits on employees retiring with at least ten years of service upon retiring from the formal retirement systems.

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

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

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

Employees Covered by Benefit Terms

| | |
|--|------------------|
| Inactive employees currently receiving benefit payments | 7 |
| Active employees | <u>20</u> |
| Total | <u><u>27</u></u> |

City Court’s total OPEB liability of \$1,183,829 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Total OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless, otherwise specified:

| | |
|---------------------------------------|---|
| Measurement date | December 31, 2018 |
| Actuarial valuation date | January 1, 2018 |
| Inflation | 2.50% |
| Salary increases, including inflation | 3.00% |
| Discount rate | 3.71% |
| Healthcare cost trend rates | Medical - 7.00% in year 1 decreasing in decrements of 0.50% per year until 5.00% through year 5 |
| | Dental - 4.00% in year 1 decreasing in decrements of 0.25% per year until 3.00% through year 5. |

The discount rate was based on the December 31, 2018 Fidelity General Obligation AA 20-Year Yield.

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability (Continued)

Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Effective January 1, 2019, retirees age 65 and over have the option of enrolling in a Medicare Advantage plan. Since the legal matters and enrollment changes were completed prior to December 31, 2018, City Court has reflected the change in benefits, at the December 31, 2018 measurement date, resulting in 70.00% of eligible retirees moving from the PPO plans. The change in benefit options resulted in a direct reduction of the total OPEB liability of \$1,196,789 and was primary input to the net reduction of the total OPEB liability of \$1,189,829 to an OPEB liability balance of \$1,183,829 at December 31, 2018.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance as of December 31, 2017, as previously restated | \$ 909,069 |
| Implementation of GASB No. 75 | 1,464,589 |
| Balance as of December 31, 2017, restated | 2,373,658 |
| Changes for the year: | |
| Service cost | 54,788 |
| Interest | 79,832 |
| Difference between expected and actual experience | (11,840) |
| Changes in assumptions | (82,610) |
| Change in benefit terms | (1,196,789) |
| Benefit payments | (33,210) |
| Net changes | (1,189,829) |
| Balance as of December 31, 2018 | \$ 1,183,829 |

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability (Continued)

Sensitivity to the total OPEB Liability to Change in the Discount Rate

The following presents the total OPEB liability of City Court, as well as what City Court's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

| | <u>1.00% Decrease (2.71%)</u> | <u>Current Discount Rate (3.71%)</u> | <u>1.00% Increase (4.71%)</u> |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB Liability | <u>\$ 1,406,979</u> | <u>\$ 1,183,829</u> | <u>\$ 1,008,794</u> |

Sensitivity to total OPEB Liability to Change in the Health Cost Trend Rate

The following presents the total OPEB liability of City Court, as well as what the City Court's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate.

| | <u>1.00% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1.00% Increase</u> |
|----------------------|---------------------------|---|---------------------------|
| Total OPEB Liability | <u>\$ 986,987</u> | <u>\$ 1,183,829</u> | <u>\$ 1,443,984</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018 City Court recognized OPEB credit of \$1,056,432. As of December 31, 2018, City Court reported deferred inflows of resources related to OPEB from the following sources on the following page:

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Total OPEB Liability (Continued)

| | Deferred Inflow of Resources |
|--|------------------------------------|
| Difference between expected and actual experience | \$ (9,867) |
| Change in assumptions | (68,842) |
| Total | \$ (78,709) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | Amount |
|-----------------------------|-------------|
| 2019 | \$ (15,741) |
| 2020 | (15,741) |
| 2021 | (15,741) |
| 2022 | (15,743) |
| 2023 | (15,743) |
| Total | \$ (78,709) |

Note 8 - DEFINED BENEFIT PENSION PLANS

a) Parochial Employees' Retirement System

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

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

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

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

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

Benefits Provided. The System provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.0% of the member's final average compensation multiplied by the years of creditable service. For members hired prior to January 1, 2007 they may retire with full benefits at age 55 upon completing 30 years of service, at age 60 after completing 10 years of service or retire at age 65 after completing 7 years of service. For members hired after January 1, 2007 they may retire with full benefits at age 55 after completing 30 years of service, at age 62 after completing 10 years of service or at age 67 after completing 7 years of service. Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During the three year period, employer contributions continue but employee contributions cease. The election to participate in DROP is irrevocable once participation begins. Retirement benefits that would be paid, had the person ceased employment, are paid into the DROP account. Upon termination of employment a participant in DROP may receive a lump sum equal to payments into the participant's account, an annuity or a roll over to an Individual Retirement Account. Members hired before January 1, 2007 with 5 or more years of service who becomes disabled may receive retirement benefits determined in the same manner as retirement benefits. Members hired after January 1, 2007 with 7 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's years of creditable service and compensation and the dependent's relationship to the deceased member. The System provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State Legislature.

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ending December 31, 2017, the actuarial employer contribution rate was 6.75% of member's compensation. However, the actual rate for the fiscal years ending December 31, 2018 and 2017 was 8.00% and 7.50%, respectively.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Contributions to the System from City Court were \$58,792 for the year ended December 31, 2018. Contribution rates for the year ended December 31, 2018 was 7.50% for employers and 3.00% for employees.

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension asset as of December 31, 2017 are as presented below:

| | |
|---------------------------|---|
| Valuation Date | December 31, 2017 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Expected Remaining | |
| Service Lives | 4 years |
| Investment Rate of Return | 6.75%, net investments expense, including inflation |
| Project Salary Increases | 5.25% (2.50% inflation, 2.75% merit) |
| Mortality Rates | RP-2000 Employees Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disables annuitants. |
| Inflation Rate | 2.50% |

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model pricing method (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------------|-------------------|---|
| Fixed Income | 35.00% | 1.24% |
| Equity | 52.00% | 3.57% |
| Alternatives | 11.00% | 0.69% |
| Real Assets | 2.00% | 0.12% |
| Total | 100.00% | 5.62% |
| Inflation | | 2.00% |
| Expected Arithmetic Nominal Rate | | 7.62% |

Discount Rate. The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

a) Parochial Employees' Retirement System (continued)

plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City Court's Proportionate Share of the Collective Net Pension Asset to Changes in the Discount Rate. The following presents City Court's proportionate share of the collective net pension asset using the discount rate of 6.75%, as well as what City Court's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate as follows:

| | 1.0% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.0% Increase (7.75%) |
|---|-----------------------------|-------------------------------------|-----------------------------|
| Court's proportionate share of the net pension asset (liability) | \$ (205,056) | \$ 96,233 | \$ 350,381 |

Pension Plan Fiduciary Net Position. The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on their financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System's website, www.persla.org or on the Louisiana Legislative Auditor's website, www.la.gov.

a) Louisiana State Employees' Retirement System

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

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

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

Benefits Provided. LASERS provides retirement, deferred retirement, disability and death benefits for the members. Retirement benefits are generally equal to 3.5% of the average compensation multiplied by the years of creditable service. The City Court judges elected prior to July 1, 2006, may retire with full benefits at any age after completing 30 years of creditable service or at age 60 after completing 10 years of service. City Court judges elected to office on or after July 1, 2006 and before July 1, 2015 may retire at age 60 after completing 5 years of creditable services. The age limitation increases to 62 for City Court judges elected on or after July 1, 2015. Additionally, members may choose to retire with 20 years of service at any age with an actuarially reduced benefit. The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During participation in DROP, retirement benefits which normally would be paid are separately tracked and invested in LASERS Self Directed Plan, which offers a variety of investment options. The election to participate in DROP is irrevocable once participation begins. Members with 10 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's compensation and the dependent's relationship to the deceased member. LASERS provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State legislature.

Contributions. The employer contribution rate for all employees is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Contribution requirements of active employees, 7.5% if hired before July 1, 2006 and 8% if hired after June 30, 2006, are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401). City Court's contractually required composite contribution rate for the year ended June 30, 2018 was 39.60% and 39.00% for the ending June 30, 2017, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contributions to the pension plan from City Court were \$59,694 for the year ended December 31, 2018.

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement as presented on the following page:

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

c) Louisiana State Employees' Retirement System (continued)

| | |
|---|--|
| Valuation Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Expected Remaining Service Lives | 3 years. |
| Investment Rate of Return | 7.65% per annum, net investment expenses |
| Inflation Rate | 2.75% per annum |
| Mortality Rates | Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 |
| | Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement. |
| Termination, Disability, and Retirement | Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members. |
| Salary Increases | Salary increase were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for Judges start at a low of 2.80% and at a high of 5.30%. |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic. |

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

| Expected Long Term Real Rates of Return | |
|---|--------|
| Asset Class | 2018 |
| Cash | -0.48% |
| Domestic Equity | 4.31% |
| International Equity | 5.26% |
| Domestic Fixed Income | 1.49% |
| International Fixed Income | 2.23% |
| Alternative Investments | 7.67% |
| Risk Parity | 4.96% |
| Total Fund | 5.40% |

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

b) Louisiana State Employees' Retirement System (continued)

Sensitivity of City Court's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents City Court's proportionate share of the collective net pension liability using the discount rate of 7.65%, as well as what City Court's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.65%) or one percentage-point higher (8.65%) than the current rate:

| | 1.0% Decrease (6.65%) | Current Discount Rate (7.65%) | 1.0% Increase (8.65%) |
|--|-----------------------------|-------------------------------------|-----------------------------|
| Court's proportionate share of the net pension liability | \$ 698,737 | \$ 553,193 | \$ 428,685 |

c) Combined Balances

Pension Asset. At December 31, 2018, City Court reported a net pension asset of \$96,233 for its proportionate share of net pension asset for PERS. The net pension asset was measured as of December 31, 2017 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. City Court's proportion of the net pension asset was based on a projection of City Court's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, City Court's proportion of PERS' net pension asset was 0.764843%, which was a decrease of 0.020496% from its proportionate share measured as of December 31, 2016.

Pension Liability. At December 31, 2018, City Court reported a net pension liability of \$553,193 for its proportionate share of the net pension liability for LASERS. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. City Court's proportion of the net pension liability was based on a projection of City Court's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2018, City Court's proportionate share of LASERS' net pension liability was 0.00812% which is a decrease of 0.00004% to its proportionate share as of June 30, 2017.

Pension Expense. For the year ended December 31, 2018, City Court recognized pension expense of \$119,411.

Note 8 - DEFINED BENEFIT PENSION PLANS (Continued)

c) Combined Balances (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2018, City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as presented on the following page:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | | \$ (56,231) |
| Net different between expected earnings on investments and actual | \$ 7,179 | (114,983) |
| Change in assumptions | 62,121 | - |
| Change in proportion | 22,079 | (7,392) |
| Change in proportionate share of contributions | - | (361) |
| Contributions subsequent to the measurement date | 88,402 | - |
| | \$ 179,781 | \$ (178,967) |

City Court reported \$88,402 as deferred outflows of resources related to pensions resulting from City Court's contributions subsequent to the measurement dates and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| For the year ending December 31st, | Amount |
|---------------------------------------|-------------|
| 2019 | \$ 23,107 |
| 2020 | (8,059) |
| 2021 | (56,413) |
| 2022 | (46,223) |
| Total | \$ (87,588) |

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

City Court recognizes as revenues and expenditures certain payments for personal services and other services and charges made by Terrebonne Parish Consolidated Government on behalf of City Court. This operating grant was agreed upon by the Parish Council and liable to increase or decrease every year due to operating budgets adopted by the Parish. As of December 31, 2018, the total operating grant revenue is as follows:

| | 2018 |
|----------------------------|------------|
| Personal services | \$ 826,267 |
| Other services and charges | 31,689 |
| Total | \$ 857,956 |

Note 10 - COMMITMENTS

In May of 2016, City Court entered into operating leases for 2 copiers. The leases are for a term of 60 months, with a trade-in option as of the 54th month, and a combined minimum lease payment of \$539 per month plus a per copy charge. During the year ended December 31, 2018, City Court had expenditures amounting to \$6,466 on the leased copiers. Future minimum lease payments for the copiers through the 54 month minimum lease period are as follows:

| Year Ending December 31, | Amount |
|-----------------------------|-----------|
| 2019 | \$ 6,466 |
| 2020 | 6,196 |
| Total | \$ 12,662 |

Note 11 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 3, 2019 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN CITY COURT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

City Court of Houma

For the year ended December 31, 2018

| | <u>2018</u> |
|---|---------------------|
| Total OPEB Liability | |
| Service cost | \$ 54,788 |
| Interest | 79,832 |
| Difference between expected and actual experience | (11,840) |
| Changes in assumptions or other inputs | (82,610) |
| Changes of benefit terms | (1,196,789) |
| Benefit Payments | <u>(33,210)</u> |
| Net Change in Total OPEB Liability | (1,189,829) |
| Total OPEB Liability, beginning of year | <u>2,373,658</u> |
| Total OPEB Liability, end of year | <u>\$ 1,183,829</u> |
| Covered Employee Payroll | <u>\$ 988,378</u> |
| Total OPEB liability as a percentage of covered employee payroll | <u>119.77%</u> |

Notes to Schedule:

Changes of Benefit Terms:

Effective January 1, 2019, a Medicare Advantage plan was introduced as an option for eligible retirees.

Changes of assumptions and other inputs reflected the effects of changes in the discounts rate each period:

3.71%

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

City Court of Houma

December 31, 2018

Parochial Employee's Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|
| City Court's proportion of the net pension liability (asset) | 0.764843% | 0.785340% | 0.768340% | 0.756950% |
| City Court's proportionate share of the net pension liability (asset) | \$ (96,233) | \$ 102,021 | \$ 137,100 | \$ 63,395 |
| City Court's covered-employee payroll | \$ 774,570 | \$ 766,092 | \$ 734,538 | \$ 761,632 |
| City Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll | -12.424% | 13.317% | 18.665% | 8.324% |
| Plan fiduciary net position as a percentage of the total pension liability | 104.02% | 94.15% | 93.48% | 99.15% |

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

City Court of Houma

December 31, 2018

Louisiana State Employee's Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|
| City Court's proportion of the net pension liability | 0.008120% | 0.008160% | 0.007980% | 0.007890% |
| City Court's proportionate share of the net pension liability | \$ 553,193 | \$ 585,658 | \$ 638,413 | \$ 551,665 |
| City Court's covered-employee payroll | \$ 151,944 | \$ 150,018 | \$ 149,664 | \$ 146,585 |
| City Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 364.077% | 390.392% | 426.564% | 376.345% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.30% | 62.50% | 57.70% | 62.70% |

SCHEDULE OF CITY COURT CONTRIBUTIONS

City Court of Houma

December 31, 2018

Parochial Employee's Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 58,792 | \$ 61,966 | \$ 61,287 | \$ 70,424 |
| Contributions in relation to the contractually required contribution | (58,792) | (61,966) | (61,287) | (70,424) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City Court's covered-employee payroll | <u>\$ 783,887</u> | <u>\$ 774,570</u> | <u>\$ 766,092</u> | <u>\$ 734,538</u> |
| Contributions as a percentage of covered-employee payroll | 7.50% | 8.00% | 8.00% | 9.59% |

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

December 31, 2018

Louisiana State Employee's Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 59,694 | \$ 57,393 * | \$ 56,138 * | \$ 53,064 |
| Contributions in relation to the contractually required contribution | (59,694) | (57,393) * | (56,138) * | (53,064) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City Court's covered-employee payroll | <u>\$ 151,894</u> | <u>\$ 150,382</u> | <u>\$ 149,664</u> | <u>\$ 146,585</u> |
| Contributions as a percentage of covered-employee payroll | 39.30% | 38.16% | 37.51% | 36.20% |

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

SUPPLEMENTARY INFORMATION

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

City Court of Houma

December 31, 2018

Agency Head Name: Judge Matthew Hagen

| Purpose | Amount |
|--|-------------------|
| Salary | \$ 151,943 * |
| Benefits - insurance | 16,704 * |
| Benefits - retirement | 59,694 * |
| Benefit - other | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | 1,003 |
| Reimbursmenets | - |
| Travel | - |
| Registration fees | - |
| Conference travel | 3,892 |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Meals | - |
| | <u>\$ 233,236</u> |

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

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of City Court of Houma (City Court), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City Court's basic financial statements, and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana
June 3, 2019.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

City Court of Houma

For the year ended December 31, 2018

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

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

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

Compliance

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

Section II Internal Control and Compliance Material to Federal Awards

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

Section III Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

City Court of Houma

For the year ended December 31, 2018

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended December 31, 2018.

No significant deficiencies were noted during the audit for the year ended December 31, 2018.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2018.

Section II Internal Control and Compliance Material to Federal Awards

City Court of Houma did not expend federal awards in excess of \$750,000 during the year ended December 31, 2018 and therefore is exempt from the audit requirements under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2018.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule 2, which were agreed to by the City Court of Houma (City Court) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2018. City Court's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the AICPA and applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 2.

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

The purpose of this report is to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
June 3, 2019.

**Schedule of Procedures and Associated Findings of the
Statewide Agreed-upon Procedures**

City Court of Houma

For the year ended December 31, 2018

The required procedures and our findings are as follows:

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

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

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

Performance: Obtained and read the written policy for budgeting, and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for purchasing.

Exceptions: The policy did not contain a provision about how vendors are added to the vendor listing.

Management's response: Management will add the provision listed above to their existing purchasing policy.

c) Disbursements, including processing, reviewing, and approving

Performance: Obtained and read the written policy for disbursements, and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Performance: Obtained and read the written policy for receipts, and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inquired of management as to a written payroll/personnel policy.

Exceptions: There was no evidence of a written payroll/personnel policy maintain by City Court.

Management's response: Management will draft a payroll/personnel policy that contains the provision listed above.

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

Performance: Obtained and read the written policy for contracting, and found it to address all functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for credit cards, and found it to address all functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Obtained and read the written policy for travel and expense reimbursement, and found it to address all functions listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the City Court's ethics policy.

Performance: Obtained and read the written policy for ethics.

Exceptions: The policy did not contain a provision about the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 and system to monitor possible ethics violations.

Management's response: Management will added the provisions listed above to the existing ethics policy.

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

Performance: Inquired of management as to debt service policy.

Exceptions: Management confirmed there is no debt service policy.

Management's response: Management will consider drafting a debt service policy.

Procedures performed on the City Court's board:

2. Obtain and review the board minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

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

Performance: Prior year testing results in no exceptions related to City Court's board. Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

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

- b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Performance: Prior year testing results in no exceptions related to City Court's board.
Therefore, testing was no required in the current year.
Exceptions: Not applicable.
Management's response: Not applicable.

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

Performance: Prior year testing results in on exceptions related to City Court's board.
Therefore, testing was no required in the current year.
Exceptions: Not applicable.
Management's response: Not applicable.

Procedures performed on the City Court's bank reconciliations:

3. Obtain a listing of the City Court's bank accounts from management and management's representation that the listing is complete. Management will identify the main operating account. Select City Court's main operating account and select 4 additional accounts (or all accounts if less than 5). Select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter. Selected December from the fiscal period, and obtained the corresponding bank statement and reconciliation for the City Court's main operating account and all additional accounts.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g. initialed and dated, electronically logged);

Performance: Observed that bank reconciliations were prepared within 2 months of the related statement closing date.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and

Performance: Observed that a member of management or a board member reviewed each bank reconciliation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Performance: Inspected bank reconciliations for reconciling items that have been outstanding for more than 12 months from the statement closing date. There were 3, 74, and 7 outstanding checks noted in the criminal, civil, and bond reconciliations, respectively, that were outstanding for more than 12 months from the statement closing date. Inquired of client about research conducted on these long outstanding checks.

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

Management's response: Management will begin documenting when verbal communication is conducted with payee.

Procedures performed on the City Court's collections:

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

Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter. The City Court has one deposit site.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Select one collection location for each deposit site (i.e. collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter. The City Court has one deposit site with four collection locations. The Civil collection location was selected for testing.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Performance: Inspected policy manuals and inquired of management and observed employees do not share cash drawers/registers.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Each employee responsible for collection cash is not responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash are not responsible for making deposits.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash do not make general ledger postings.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Performance: Inspected policy manuals and inquired of management and employees performing reconciliations do not collect cash.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Performance: Obtained a listing of all employees who have access to cash and inquired of management if these employees are covered by a bond or insurance policy for theft.

Exceptions: Eight employees who have access to cash were not covered by a bond or insurance policy for theft.

Management's response: During fiscal year 2019, City Court obtained bonds for the eight employees that were not bonded at December 31, 2018.

7. Select two deposit dates for each of the 4 bank accounts selected for procedure #3 under "Procedures performed on the City Court's bank reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the 8 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the 8 selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Performance: Traced deposit slip total to actual deposit per bank statement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Performance: Observed that the deposit was made within one business day of receipt.

Exceptions: The two deposits in the general fund and the two deposits in the bond fund were not deposited within one business day of receipt.

Management's response: Management will continue to make every effort to deposit cash collected within one day of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

Performance: Traced the actual deposit per the bank statement to the general ledger.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the City Court's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):

8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select 5 locations (or all locations if less than 5)

Performance: Obtained the listing of location that process payments, and received management's representation in a separate letter. The City Court only has one location that processes payments.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the City Court has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payments functions, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the City Court's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases): (Continued)

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) At least two employees are involved in processing and approving payments to vendors.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) The employees responsible for processing payments are prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above. Due to the nature of City Court's disbursement, there are rarely any situations where new vendors need to be added to the accounting software. If the adding/modifying of vendor files is needed, the Accounting Department is responsible for updating the vendor files only after approval of new vendor by Court Administrator.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: Signed checks are given back to the Accounting Department, which is also responsible for processing payments, to prepared checks for mailing.

Management's response: Management will consider reassigning mailing duties to an employee outside of the Accounting Department.

Procedures performed on the City Court's non-payroll disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases): (Continued)

10. For each location selected under #8 above, obtain the City Court's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained the City Court's general ledger for the fiscal period, and obtained management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: Obtained the disbursement and observed that the disbursement and the related original invoice/billing statement were in agreement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Performance: Obtained the disbursement documentation and observed for proper segregation of duties as listed under #9 above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the City Court's credit cards, debit cards, fuel cards, p-cards:

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

Performance: Obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards from management and received management's representation in a separate letter. City Court only has four credit cards.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

12. Using the listing prepared by management, select 5 cards (or all cards if less than 5) that were used during the fiscal period, rotating cards each year. Select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Performance: Obtained one monthly credit card statement for the four cards along with supporting documentation and observed for proper approval. The Accountant is responsible for reviewing and approving credit card transactions and is not an authorized card holder.

Exceptions: The Office Depot statement and supporting documentation had no documentary evidence of approval.

Management's response: Management will verify that the initials of the Accountant appear on each statement reviewed and approved.

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.

Performance: Obtained one monthly credit card statement for the four cards selected and observed for finance charges and/or late fees. There were no finance charges and/or late fees.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

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

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

Performance: Traced each transaction to an original itemized receipt.

Exceptions: There were no exception noted.

Management's response: Not applicable.

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

- 2) Written documentation of the business/public purpose.

Performance: Observed supporting documentation for evidence of business/public purpose.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 3) Documentation of the individuals participating in meals (for meal charges only).

Performance: Through investigation of monthly credit card statement, there were no meal transactions noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

14. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Obtained a list of all travel and travel related expense reimbursement, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Performance: Selected 5 reimbursements and obtained the supporting documentation. Observed that the reimbursement rate agreed to those rates established either by the State of Louisiana or the U.S. General Services Administration

Exceptions: The per diem amount reimbursed for one of the reimbursements did not agree to the State of Louisiana Travel Guide or the GSA rate.

Management's response: Management will verify the per diem amounts for all reimbursements agree to the rates established by the State of Louisiana or General Services Administration.

Procedures performed on the City Court's travel and travel-related expense reimbursements: (Continued)

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Performance: Selected 5 reimbursement and obtained the supporting documentation.

Observed that the reimbursement was supported by original itemized receipt.

Exceptions: Per travel policy of City Court, mileage reimbursements are required to be supported by print out of route detailing the total number of miles of the trip. There were three instances where this documentation was not included with the expense reimbursement form.

Management's response: Management will verify that all documentation, as required by the travel policy, is included in the travel reimbursement documentation.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

Performance: Selected 5 reimbursement and obtained the supporting documentation.

Observed that each reimbursement has evidence of documentation of the business/public purpose and other documentation required by written policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Performance: Selected 5 reimbursement and obtained the supporting documentation.

Observed that each reimbursement was reviewed and approved by someone other than the person receiving the reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the City Court's contracts:

15. Obtain a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Select 5 contracts (or all contracts if less than 5) from the listing, and:

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

Performance: Prior year testing results in on exceptions related to City Court's contracts.

Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Performance: Prior year testing results in on exceptions related to City Court's contracts.

Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

- b) Observe that the contract was approved by the governing body/Commission, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Performance: Prior year testing results in on exceptions related to City Court's contracts.

Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Performance: Prior year testing results in on exceptions related to City Court's contracts.

Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

- d) Select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Performance: Prior year testing results in on exceptions related to City Court's contracts.

Therefore, testing was no required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

Procedures performed on the City Court's payroll and personnel:

16. Obtain a listing of employees (and elected officials, if applicable) during the fiscal period and management's representation that the listing is complete. Select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained the listing of employees with their related salaries from management, and received management's representation in a separate letter. Selected 5 employees and agreed paid salaries and to authorized salaries/pay rates per the personnel files

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

17. Select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Performance: Inspected daily attendance and leave records for proper documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Performance: Inspected attendance and leave records for proper approval.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Observe that any leave accrued or taken during the pay period is reflected in the City Court's cumulative leave records.

Performance: Obtained cumulative leave records and observed that any leave accrued or taken during selected pay period is included.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the City Court's payroll and personnel:

18. Obtain from management a list of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Select two employees/officials', obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Performance: Obtained a listing of all employees that terminated during the period from management and received management's representation in a separate letter. There was only one employee that terminated during the fiscal year. Obtained her personnel file, and traced hours and pay rates used in management's termination calculation to cumulative leave records and pay rates per the personnel file.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Performance: Obtained management's representation that payroll related taxes and benefits have been paid and forms filed by the required deadline in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedure performed on the City Court's ethics:

20. Using the 5 selected employees/officials from procedure #16 under "Procedures performed on the Commission's payroll and personnel" above, obtain ethics compliance documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Performance: Prior year testing resulted in no exceptions related to City Court's ethics. Therefore, testing was not required in the current year.

Exceptions: Not applicable.

Management's response: Not applicable.

Procedure performed on the City Court's ethics: (Continued)

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Commission's ethics policy during the fiscal period.

Performance: Prior year testing resulted in no exceptions related to City Court's ethics. Therefore, testing was not required in the current year.
Exceptions: Not applicable.
Management's response: Not applicable.

Procedures performed on the City Court's debt service:

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

Performance: Prior year testing resulted in no exceptions related to City Court's debt service. Therefore, testing was not required in the current year.
Exceptions: Not applicable.
Management's response: Not applicable.

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

Performance: Prior year testing resulted in no exceptions related to City Court's debt service. Therefore, testing was not required in the current year.
Exceptions: Not applicable.
Management's response: Not applicable.

Other procedures performed on the City Court:

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

Performance: Inquired of management of any misappropriations of public funds or assets.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Other procedures performed on the City Court: (Continued)

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

Performance: Inquired and observed such notice posted in the premises.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.