

**CITY COURT OF HAMMOND
HAMMOND, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

City Court of Hammond
Hammond, Louisiana
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For the Year Ended June 30, 2018

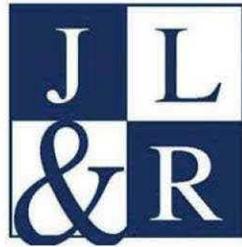
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Hammond, Louisiana
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Independent Auditor's Report

The Honorable Grace Bennett Gasaway
City Court of Hammond
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City Court of Hammond's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Hammond as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the City Court of Hammond's proportionate share of the net pension liability, and the schedule of the City Court of Hammond's contributions on pages 5 through 10 and 39 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Court of Hammond's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 October 30, 2018, on our consideration of the City Court of Hammond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City Court of Hammond's internal control over financial reporting or on compliance. That report is an integral part of an audit

City Court of Hammond
October 30, 2018

performed in accordance with *Government Auditing Standards* in considering the City Court of Hammond's internal control over financial reporting and compliance.

*James Lambert Riggs
& Associates*

James, Lambert, Riggs and Associates, Inc.

Hammond, Louisiana
October 30, 2018

Required Supplementary Information (Part I):

Management's Discussion and Analysis

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Introduction

As management of the City Court of Hammond ("City Court"), we offer readers of the City Court's financial statements this narrative overview and analysis of the financial activities of the City Court, for the fiscal year ended June 30, 2018. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City Court's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City Court finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City Court based on information presented in the financial report and fiscal policies that have been adopted by the City Court. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City Court's financial activity, identify changes in the City Court's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Financial Highlights

- At June 30, 2018, the City Court's assets exceeded its liabilities by \$1,236,172 (net position). Of this amount, \$929,586 (unrestricted net position) may be used to meet the City Court's ongoing obligations. This amount increased by \$137,942, or 17.4% from the prior year.
- For the year ended June 30, 2018, the City Court's total net position increased by \$64,613, or 5.52% from the prior year.
- For the year ended June 30, 2018, the City Court's total revenues increased by \$88,622, or 5.54% from the prior year.
- For the year ended June 30, 2018, the City Court's total expenses decreased by \$19,146, or 1.16% from the prior year.
- For the year ended June 30, 2018, the City Court's total liabilities increased by \$2,252, or 2.11% from the prior year.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City Court's financial position and results of operations in a manner similar to a private-sector business.

- A. The *statement of net position* presents information on all of the City Court's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities are reported as net position. Over time, increases or decreases in

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2018

net position may serve as a useful indicator of whether the financial position of the City Court is improving or weakening.

- B. The *statement of activities* presents information showing how the government's net position changed during the 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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City Court's net position for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Net Position on Exhibit A of this report.

	Governmental Activities			
	2018	2017	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 1,015,127	\$ 886,763	\$ 128,364	14.48%
Capital Assets	239,113	260,092	(20,979)	-8.07%
Net Pension Asset / Liability	97,166	(103,779)	200,945	193.63%
Restricted Assets	61,187	116,436	(55,249)	-47.45%
Total Assets	<u>\$ 1,412,593</u>	<u>\$ 1,159,512</u>	<u>\$ 253,081</u>	21.83%
Deferred Outflows of Resources	<u>\$ 98,008</u>	<u>\$ 148,450</u>	<u>\$ (50,442)</u>	-33.98%
Liabilities:				
Current Liabilities	\$ 41,698	\$ 42,827	\$ (1,129)	-2.64%
Non-Current Liabilities	67,335	63,954	3,381	5.29%
Total Liabilities	<u>\$ 109,033</u>	<u>\$ 106,781</u>	<u>\$ 2,252</u>	2.11%
Deferred Inflows of Resources	<u>\$ 165,396</u>	<u>\$ 29,622</u>	<u>\$ 135,774</u>	458.36%
Net Position:				
Net Investment in Capital Assets	\$ 239,113	\$ 260,092	\$ (20,979)	-8.07%
Restricted	67,473	119,823	(52,350)	-43.69%
Unrestricted	929,586	791,644	137,942	17.42%
Total Net Position	<u>\$ 1,236,172</u>	<u>\$ 1,171,559</u>	<u>\$ 64,613</u>	5.52%

The City Court's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,236,172 (net position). Of this amount, \$929,586 are unrestricted net position. The net position increased by \$64,613, or 5.52% from the prior year. This increase was attributable to an increase in the courts collections of fines and costs.

A portion of the City Court's net positions (20%) reflects its investment in capital assets (e.g., office equipment, office furniture and fixtures, etc.), less any outstanding debt used to acquire those assets. The City Court uses

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2018

these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City Court's net position (6%) represents resources that are designated for particular purposes. The remaining balance of unrestricted net position (\$929,586) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City Court is able to report positive net position balances in both the government-wide and governmental activities. The same situation held true for the prior fiscal year.

To further understand what makes up the changes in net position, the following table provides a summary of the results of the City Court's operating activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For a more detailed analysis, see Statement of Activities on Exhibit B of this report.

	Governmental Activities			
	2018	2017	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 838,513	\$ 754,209	\$ 84,304	11.18%
Operating Grants	30,000	81,960	(51,960)	-63.40%
General Revenues:				
Contribution - City of Hammond	514,975	515,006	(31)	-0.01%
Other	<u>305,542</u>	<u>249,233</u>	<u>56,309</u>	22.59%
Total Revenues	<u>1,689,030</u>	<u>1,600,408</u>	<u>88,622</u>	5.54%
Expenses:				
City Court	1,531,865	1,552,780	(20,915)	-1.35%
Depreciation Expense	<u>92,552</u>	<u>90,783</u>	<u>1,769</u>	1.95%
Total Expenses	<u>1,624,417</u>	<u>1,643,563</u>	<u>(19,146)</u>	-1.16%
Change in Net Position	64,613	(43,155)	107,768	-249.72%
Net Position, Beginning of the Year	<u>1,171,559</u>	<u>1,214,714</u>	<u>(43,155)</u>	-3.55%
Net Position, End of the Year	<u>\$ 1,236,172</u>	<u>\$ 1,171,559</u>	<u>\$ 64,613</u>	5.52%

Operating grants for the City Court for the current year decreased by \$51,960, or 63.40%. This is attributable to a decrease in grant funding.

Other general revenue for the City Court increased by \$56,309, or 22.59%. This is attributable to an increase in the amount of monies collected from other agencies.

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2018

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. The City Court, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City Court can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the City Court's basic services reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City Court's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City Court's programs.

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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Exhibits D & F of this report.

The City Court maintains two governmental funds, the General Fund and the Judicial Building Fund. Information is presented on the governmental funds on Exhibits C, D, E, & F of this report.

As of the end of the current fiscal year, the City Court's General Fund reported an ending fund balance of \$967,143. The Judicial Building Fund reported an ending fund balance of \$67,473.

The City Court has followed the recommendation of its auditors to retain a reasonable surplus in the General Fund for unforeseen future emergencies such as natural disasters, decreases in economic conditions, emergency capital outlay requirements, and other similar conditions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City Court's other programs. The basis of accounting used for fiduciary funds is the modified accrual basis of accounting. The City Court has two fiduciary funds: the Civil Agency Fund and the Criminal Agency Fund. The basic fiduciary fund financial statements can be found on Exhibit G of this report.

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2018

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information (Budgetary Highlights)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on Schedule I of this report.

- A. Budgetary Comparison Schedule – The 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, beginning on Schedule I of this report.
- B. Analysis of Significant Budget Variances in the General Fund:
 - 1. Revenues:
 - a. Overall revenues were below the amounts budgeted by \$4,687. This was attributable to a decrease in civil filings.
 - 2. Expenditures:
 - a. Overall expenses were below the amount budgeted by \$7,290 due to the court switching to a paperless case management system.

Capital Assets

The City Court's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$239,113 (net of accumulated depreciation). This investment in capital assets includes computer software, and office equipment and furniture. The total decrease in the City Court's investment in capital assets for the current fiscal year is primarily due to minimal asset additions in comparison to the last fiscal year and the depreciation of prior year assets. Major capital asset additions during the current fiscal year included computer software purchases of \$49,250.

Additional information on the City Court's capital assets can be found in Note 6 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City Court's budget for the 2018 – 2019 fiscal year:

For fiscal year ending June 30, 2018, there is no budgeted revenue increase in contributions from the City of Hammond or Court Costs.

There is no surplus or deficit budgeted for the fiscal year ending June 30, 2019.

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2018

Requests for Information

This financial report is designed to provide a general overview of the City Court's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Guy Recotta, Clerk of Court, 303 East Thomas Street, Hammond, Louisiana 70401.

Basic Financial Statements

City Court of Hammond
Hammond, Louisiana
Statement of Net Position
June 30, 2018

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$ 345,806
Investments	593,948
Due from Other Governments	6,187
Due from Agency Funds	69,186
Capital Assets, Net of Accumulated Depreciation	239,113
Net Pension Asset	97,166
Restricted Assets:	
Cash & Cash Equivalents	61,187
Total Assets	<u>\$ 1,412,593</u>
Deferred Outflows of Resources	
Change in Assumptions	\$ 57,169
Changes in Proportion and Differences Between City	
Court Contributions and Proportionate Share of Contributions	663
Contributions Subsequent to the Measurement Date	40,176
Total Deferred Outflows of Resources	<u>\$ 98,008</u>
Liabilities	
Accounts Payable	\$ 12,875
Salaries and Benefits Payable	28,823
Accrued Compensated Absences	67,335
Total Liabilities	<u>\$ 109,033</u>
Deferred Inflows of Resources	
Differences Between Expected and Actual Experience	\$ 50,602
Net Difference Between Projected and Actual Earnings on	
Pension Plan Investments	114,359
Changes in Proportion and Differences Between City	
Court Contributions and Proportionate Share of Contributions	435
Total Deferred Inflows of Resources	<u>\$ 165,396</u>
Net Position	
Net Investment in Capital Assets	\$ 239,113
Restricted for Judicial Building Fund	67,473
Unrestricted	929,586
Total Net Position	<u>\$ 1,236,172</u>

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Statement of Activities
For the Year Ended June 30, 2018

Exhibit B

	Governmental Activities
Governmental Activities:	
City Court Operations:	
Salaries	\$ 861,876
Judges Salary and Fees	152,078
Payroll Tax & Employee Benefits	273,867
Ad Hoc Judge Fees	5,652
Computer Software & Programming	63,745
Educational Conferences & Seminars	18,864
Equipment Repairs & Maintenance	22,655
Insurance	8,417
Juvenile Service Programs	1,156
Legal and Professional Fees	21,794
Miscellaneous	31,847
Credit Card Service Charges	15,309
Office Supplies	24,248
Records Retention Management	1,066
Telephone	29,291
Depreciation Expense	92,552
Total Expenses	1,624,417
 Program Revenues:	
Charges for Services	838,513
Operating Grants	30,000
Total Program Revenues	868,513
Net Program (Expense) / Revenue	(755,904)
 General Revenues:	
Contributions from Other Governments	605,666
On-Behalf Payments	94,244
Interest Income	2,944
Other Income	52,001
Transfers from Civil Reserve	56,044
Contributions from Non-Employer Contributing Entities	9,807
Loss on Disposal of Capital Assets	(189)
Total General Revenues	820,517
Change in Net Position	64,613
Net Position - Beginning of the Year	1,171,559
Net Position - End of the Year	\$ 1,236,172

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Governmental Funds Balance Sheet
June 30, 2018

Exhibit C

	General Fund	Judicial Building Fund	Total
Assets			
Cash & Cash Equivalents	\$ 345,806	\$ -	\$ 345,806
Investments	593,948	-	593,948
Due from Other Governments	6,187	-	6,187
Due from Agency Funds	62,900	6,286	69,186
Restricted Assets:			
Cash & Cash Equivalents	-	61,187	61,187
 Total Assets	 \$ 1,008,841	 \$ 67,473	 \$ 1,076,314
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$ 12,875	\$ -	\$ 12,875
Salaries and Benefits Payable	28,823	-	28,823
Total Liabilities	41,698	-	41,698
Fund Balance:			
Restricted for:			
Judicial Building Fund	-	67,473	67,473
Unassigned	967,143	-	967,143
Total Fund Balance	967,143	67,473	1,034,616
 Total Liabilities and Fund Balance	 \$ 1,008,841	 \$ 67,473	 \$ 1,076,314

The accompanying notes are an integral part of this statement.

**City Court of Hammond
Hammond, Louisiana**

Exhibit D

Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
For the Year Ended June 30, 2018

Total Fund Balances, Governmental Funds (Exhibit C)	\$ 1,034,616
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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 funds. These assets consist of:

Governmental Capital Assets, Net of Depreciation	239,113
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Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Accrued Compensated Absences	(67,335)
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension asset / liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Asset	97,166
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Deferred Outflows of Resources	98,008
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Deferred Inflows of Resources	<u>(165,396)</u>
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Net Position of Governmental Activities (Exhibit A)	<u>\$ 1,236,172</u>
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The accompanying notes are an integral part of this statement.

**City Court of Hammond
Hammond, Louisiana**

Exhibit E

Statement of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2018

	General Fund	Judicial Building Fund	Total
Revenues:			
Contributions:			
Criminal Docket	\$ 598,294	\$ -	\$ 598,294
Civil Fees	59,306	-	59,306
Judicial Building Fund	-	77,970	77,970
City of Hammond	514,975	-	514,975
City of Ponchatoula	24,000	-	24,000
Tangipahoa Parish Government	66,691	-	66,691
Grant Revenue	30,000	-	30,000
On-Behalf Payments	94,244	-	94,244
Civil Docket - Judges Fees	99,344	-	99,344
Ad Hoc Judge Fees	3,599	-	3,599
Interest Income	2,142	802	2,944
Other Fees	52,001	-	52,001
Total Revenues	1,544,596	78,772	1,623,368
Expenditures:			
Salaries	858,495	-	858,495
Judges Salary and Fees	152,078	-	152,078
Payroll Tax & Employee Benefits	278,789	-	278,789
Ad Hoc Judge Fees	5,652	-	5,652
Computer Software & Programming	6,408	57,337	63,745
Educational Conferences & Seminars	18,864	-	18,864
Equipment Repairs & Maintenance	19,465	3,190	22,655
Insurance	8,417	-	8,417
Juvenile Service Programs	1,156	-	1,156
Legal and Professional Fees	21,794	-	21,794
Miscellaneous	31,847	-	31,847
Credit Card Service Charges	15,309	-	15,309
Office Supplies	24,248	-	24,248
Records Retention Management	1,066	-	1,066
Telephone	29,291	-	29,291
Capital Outlay	1,167	70,595	71,762
Total Expenditures	1,474,046	131,122	1,605,168
Excess (Deficiency) of Revenues over Expenditures	70,550	(52,350)	18,200

(Continued)

**City Court of Hammond
Hammond, Louisiana**
Statement of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2018

Exhibit E
(Continued)

	<u>General Fund</u>	<u>Judicial Building Fund</u>	<u>Total</u>
Other Financing Sources:			
Transfers from Civil Reserve	56,044	-	56,044
Total Other Financing Sources	<u>56,044</u>	<u>-</u>	<u>56,044</u>
 Excess (Deficiency) Revenues and Other Sources over Expenditures	 126,594	 (52,350)	 74,244
 Fund Balance - Beginning of the Year	 <u>840,549</u>	 <u>119,823</u>	 <u>960,372</u>
Fund Balance - End of the Year	<u>\$ 967,143</u>	<u>\$ 67,473</u>	<u>\$ 1,034,616</u>

The accompanying notes are an integral part of this statement.

**City Court of Hammond
Hammond, Louisiana**

Exhibit F

Reconciliation of the Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances, Governmental Funds (Exhibit E)	\$	74,244
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

Capital Outlay		71,762
Depreciation Expense		(92,552)
Disposal of Capital Assets		(189)

Annual changes in accrued compensated absences are not recorded in the governmental funds. In the statement of activities, these changes are recorded against current year payroll expenses.

Change in Accrued Compensated Absences		(3,381)
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to charges in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities:

Net Change in Pension Expense		4,922
Contributions from Non-Employer Contributing Entities		<u>9,807</u>

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u><u>64,613</u></u>
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The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Statement of Fiduciary Net Position
June 30, 2018

Exhibit G

	Agency Funds		Total
	Civil Docket	Criminal Docket	
Assets			
Cash on Hand and in Banks	\$ 179,417	\$ 177,952	\$ 357,369
Accounts Receivable	69	290	359
Total Assets	\$ 179,486	\$ 178,242	\$ 357,728
Liabilities			
Accounts Payable	\$ 9,547	\$ 63,985	\$ 73,532
Due to General Fund	16,206	46,694	62,900
Due to Judicial Building Fund	2,860	3,426	6,286
Due to Others	150,873	64,137	215,010
Total Liabilities	\$ 179,486	\$ 178,242	\$ 357,728
Net Position	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2018

Narrative Profile

The City Court of Hammond (the “City Court”) was created under the authority of Louisiana Revised Statutes (“LRS”) 13:1952. The purpose of the City Court is to collect fines and court costs and remit these fines to the City of Hammond (the “City”) and to the Tangipahoa Parish Council. The City Court has jurisdiction within the Seventh Ward of Tangipahoa Parish. The City Court presently employs twenty-one people to include the Judge, Clerk of Court, and nineteen full-time and part-time Deputy Clerks of Court. The City Court maintains a courtroom and offices in Hammond City Hall. City Court revenues include court costs on civil and criminal cases, appropriations from the City, intergovernmental grants, and other revenues. City Court expenditures include salaries and benefits, data processing, telephone and utilities, and other expenditures.

The accounting and reporting policies of the City Court conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:513 and the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City Court is fiscally dependent on the City. The City maintains and operates the building in which the City Court’s courtroom and offices are located and provides funds for salaries, equipment, and expenditures of the office. Because the City Court is fiscally dependent on the City, the City Court was determined to be a component unit of the City, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Fund Accounting

The City Court uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all of the City Court's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund’s assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the City Court. The following are the City Court’s governmental funds:

General Fund – the general operating fund of the City Court and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

available for any purpose, provided it is expended or transferred in accordance with State and Federal laws and according to City Court policy.

Judicial Building Fund – used to account for the collection of a \$10 service charge (as authorized by LRS 13:1910) for the purpose acquiring, leasing, constructing, equipping, and maintaining new and existing City Court buildings.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, these funds have no measurement focus, but use the modified accrual basis of accounting. The following are the City Court's fiduciary funds:

Civil Agency Fund This fund is used to account for assets held by the City Court as an agent for individuals or private organizations.

Criminal Agency Fund – This fund is used to account for assets held by the City Court as an agent for criminal defendants.

C. Measurement Focus / Basis of Accounting

Basic Financial Statements – Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the City Court. These statements include all the non-fiduciary activities of the City Court with most of the interfund activities removed. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues. The City Court does not allocate indirect expenses.

Basic Financial Statements – Governmental Funds

The amounts reflected in the General Fund and the Judicial Building Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

approach is then reconciled, through adjustment, to a government-wide view of the City Court's operations.

The amounts reflected in the General Fund and the Judicial Building Fund use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City Court considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues Revenues are generally recognized when they become measurable and available as net current assets. Criminal Court fees, appropriations from the City, and interest revenue are recorded when due. Substantially all other revenues are recorded when received.

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

Reconciliation – Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Exhibit D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are presented in Exhibit F of the basic financial statements.

D. Budgets and Budgetary Accounting

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their budgets over the course of the year for a variety of reasons. As a result, the City Court's original budget is shown along with the comparison of the final budget and actual results.

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

1. The fiscal officer prepares a proposed budget and submits this budget to the Judge and Clerk of Court no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget was published on May 18, 2017.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on June 2, 2017.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget was adopted on June 2, 2017.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Judge and Clerk of Court. The budget was amended on May 31, 2018.
6. The budgets for the General Fund and Judicial Building Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Judge and Clerk of Court.
7. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General Fund and the Judicial Building Fund present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

E. Cash and Investments

Cash includes cash on hand, demand deposits, interest bearing demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the City Court may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash. Investments for the City Court are stated at cost.

F. Inventory

The City Court utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City Court did not record any inventory at June 30, 2018, as the amount is immaterial.

G. Capital Assets

All capital assets of the City Court are recorded at historical cost and are reported on the government-wide financial statements. Depreciation of all capital assets is charged as an expense against their operations. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the related capital assets, as applicable. It is the City Court's policy to capitalize capital assets over \$500.

Depreciation expense amounted to \$92,552, for the year ended June 30, 2018.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

H. Compensated Absences

All full-time City Court employees who are paid on a salary basis and work a regular full-time workweek earn sick leave and annual leave. Employees earn from three days to ten days of sick leave each year depending on length of service. Employees may accumulate all unused sick leave but the employee's right to unused sick leave benefits does not vest. Therefore, the City Court recognizes an expenditure for sick leave benefits when payments are made to employees.

Employees earn from five days to twenty days of annual leave each year depending on length of service. An employee may accumulate up to one week of annual leave each year up to a maximum of thirty days. All days accumulated in excess of thirty days are lost. The employee's rights to annual leave vest with a maximum of thirty days unused annual leave payable upon termination.

I. Pension Plans

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

J. Net Position

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

1. Net Investment in Capital Assets – consists of the historical cost of capital assets, including any 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.
2. Restricted – this component of net position consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Resources recorded in the Judicial Building Fund are considered to be restricted in accordance with LRS 13:1910.
3. Unrestricted – all other net position is reported in this category.

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

K. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable fund balances are associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

2. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Judge (the City Court's highest level of decision making authority),
4. Assigned fund balances are intended to be used by the City Court for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned Fund Balance all amounts not included in other spendable classifications.

The City Court considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available.

As of June 30, 2018, the City Court did not have any nonspendable, committed, or assigned fund balances.

I. 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.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Judicial Building Fund. All annual appropriations lapse at fiscal year-end. The City Court was in compliance with the Local Budget Act. See Note 1 for the procedures the City Court follows regarding budgets and budgetary accounting.

B. Deposits, Investment Laws and Regulations

In accordance with state law, all uninsured deposits of in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 3 the City Court was in compliance with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2018, no City Court funds had deficit fund balances.

3. Cash, Cash Equivalents, and Investments

As reflected on Exhibit A, the City Court has cash totaling \$406,993 (of which \$61,187 is restricted) and investments totaling \$593,948 (of which \$-0- is restricted) at June 30, 2018. Total cash from fiduciary responsibilities not reported on the government-wide financial statements was \$357,369.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The following is a summary of cash, cash equivalents, and investments (bank balances) at June 30, 2018, with the related Federal deposit insurance and pledged securities:

Bank Balances:	
Insured (FDIC Insurance)	\$ 831,239
Uninsured and Collateralized:	
Collateral held by pledging bank's trust department not in the City Court's name	527,872
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>\$ 1,359,111</u>

Even though the pledged securities are not held in the entity's name, LRS 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the City Court that the fiscal agent has failed to pay deposited funds upon demand.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3) under the provisions of GASB Statement 40. Custodial credit risk is the risk that in the event of a bank failure, the City Court's deposits may not be returned to it. The City Court does not have a deposits policy for custodial risk. As of June 30, 2018, the City Court was in compliance with state law which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

4. Due From Other Governments

Amounts due from other governmental units at June 30, 2018, consisted of the following:

Tangipahoa Parish Government	\$ 4,961
Louisiana Department of Public Safety	135
Other	1,091
Less: Allowance for Uncollectible Accounts	<u>-</u>
	<u>\$ 6,187</u>

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

5. Interfund Receivables / Payables

The following is a summary of interfund receivables / payables at June 30, 2018:

	Due From	Due To
General Fund:		
Criminal Agency Fund	\$ 46,694	\$ -
Civil Agency Fund	16,206	-
Judicial Building Fund:		
Due from Other funds	6,286	
Civil Agency Fund:		
General Fund	-	16,206
Judicial Building Fund	-	2,860
Criminal Agency Fund:		
Judicial Building Fund	-	3,426
General Fund	-	46,694
	\$ 69,186	\$ 69,186

6. Capital Assets

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

Governmental Activities	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Building Improvements	\$ 40,954	\$ -	\$ -	\$ 40,954
Furniture & Fixtures	77,172	6,519	1,069	82,622
Software	221,850	49,250	-	271,100
Equipment	397,358	15,993	1,553	411,798
Total	737,334	71,762	2,622	806,474
Accumulated Depreciation	477,242	92,552	2,433	567,361
Capital Assets, Net	\$ 260,092	\$ (20,790)	\$ 189	\$ 239,113

The following estimated useful lives and methods are used to compute depreciation:

Furniture & Fixtures	5 to 7 Years	Straight-Line Method
Equipment	5 to 10 Years	Straight-Line Method
Building Improvements	40 Years	Straight-Line Method

**City Court of Hammond
Hammond, Louisiana**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

7. Accounts, Salaries, and Other Payables

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Judicial Building Fund	Total
Accounts Payable	\$ 12,875	\$ -	\$ 12,875
Salaries & Benefits Payable	28,823	-	28,823
	<u>\$ 41,698</u>	<u>\$ -</u>	<u>\$ 41,698</u>

8. Employee Pension Plan – Parochial Employees Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the City Court are eligible for participation in the Parochial Employees’ Retirement System of Louisiana (the “System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 205 of the 1952 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.persla.org. The report may also be obtained by writing to the Parochial Employees' Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee’s final compensation multiplied by the employee’s years of creditable service. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of creditable service. Final-average salary is the employee’s average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree’s original benefit for each full calendar year since retirement.

Contributions – Per Act 765 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System’s Board of Trustees. Employees are required to contribute 3.00% of their annual pay. The City Court’s contractually required contribution rate was 8.00% for the period July 1, 2017 to December 31, 2017 and 7.50% for the period January 1, 2018 to June 30, 2018. Contributions to the System from the City Court were \$62,302 for the year ended June 30, 2018.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

At June 30, 2018, the City Court reported an asset of \$97,166 for its proportionate share of the net pension asset. 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. The City Court's proportion of the net pension asset was based on a projection of the City Court's June 30, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the City Court's proportion was 0.772256%, which was a decrease of 0.026612% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the City Court recognized pension expense of \$66,142. At June 30, 2018, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 50,602
Changes of Assumptions	57,169	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	114,359
Changes in Proportion and Differences Between City Court Contributions and Proportionate Share of Contributions	663	435
City Court Contributions Subsequent to the Measurement Date	30,732	-
	\$ 88,564	\$ 165,396

\$30,732 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset / liability in the year ended June 30, 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:

Year Ended:			
December 31, 2018	\$	(5,230)	
December 31, 2019		(15,797)	
December 31, 2020		(42,681)	
December 31, 2021		(44,324)	
December 31, 2022		-	
Thereafter		-	

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Actuarial Assumptions – The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75%, net of investment expense, including inflation
Expected Remaining Service Lives	4 years
Projected Salary Increases	5.25% (2.75% Merit / 2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Inflation Rate	2.50%

Mortality rates were based on the RP-2000 Employee Sex Distinct Table for employees, the RP-2000 Healthy Annuitant Sex Distinct Table for annuitants and beneficiaries, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants.

The mortality rate assumption used in the December 31, 2017, valuation was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back four years for males and three years for females was used.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return 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.

**City Court of Hammond
Hammond, Louisiana**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Return		7.62%

Discount Rate – The discount rate used to measure the total pension asset / liability 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 calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset / liability.

Sensitivity of the City Court’s Proportionate Share of the Net Pension Asset / Liability to Changes in the Discount Rate – The following presents the City Court’s proportionate share of the net pension asset / liability calculated using the discount rate of 6.75%, as well as what the City Court’s proportionate share of the net pension asset / liability 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:

	<u>1.0% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.0% Increase (7.75%)</u>
City Court's Proportionate Share of the Net Pension Asset / (Liability)	\$ 207,044	\$ 97,166	\$ (353,777)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

Payables to the Pension Plan – As of June 30, 2018, the City Court owed \$21,288 to the System for the City Court’s 2nd quarter 2018 payroll contribution.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

9. Employee Pension Plan – Louisiana State Employees Retirement System

General Information about the Pension Plan

Plan Description The Judge of the City Court is the only employee eligible for participation in the Louisiana State Employees' Retirement System ("LASERS") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Title 11, Section 401 of the Louisiana Revised Statutes of 1950. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org. The report may also be obtained by writing to the Louisiana Employees Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213.

Benefits Provided – The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and may vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age, upon completing thirty years of service, to age sixty, upon completing ten years of service.

The basic annual retirement benefit for substantially all members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Average compensation is defined as the member's average annual earned compensation for the highest thirty-six consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest sixty consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Employees are eligible for disability benefits under age 60 with 10 or more years of credited service. Survivor's benefits are available upon the death of a member who has credit for five or more years of service who is not eligible for normal retirement benefits. As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases that are funded through investment earnings when recommended by the Board of Trustees and approved by the State.

Contributions – Contribution rates are established annually under LRS 11:101 – 11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of LASER's actuary. Rates are different for each class of members; however, the City Court's contractually required contribution rate for the year ended June 30, 2018, was 40.10%. Employees are required to contribute 11.50% of their annual pay. Contributions to LASERS from the City Court were \$9,444 for the year ended June 30, 2018. The Judge had previously been in the LASER's DROP program, but was reinstated to LASERS on January 1, 2018.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

At June 30, 2018, the City Court reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City Court's proportion of the net pension liability was based on a projection of the City Court's June 30, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City Court's proportion was 0.000000%, which was a change of 0.000000% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City Court recognized pension expense of \$0. At June 30, 2018, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between City Court Contributions and Proportionate Share of Contributions	-	-
City Court Contributions Subsequent to the Measurement Date	9,444	-
	\$ 9,444	\$ -

\$9,444 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year Ended:	
June 30, 2017	-
June 30, 2018	-
June 30, 2019	-
June 30, 2020	-
June 30, 2021	-
Thereafter	-

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Actuarial Assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	3 Years
Investment Rate of Return	7.70% per annum, net of investment expenses
Inflation Rate	2.75% per annum
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	4.00%	13.00%
Judges	3.00%	6.00%
Corrections	4.00%	15.00%
Hazardous Duty	4.00%	15.00%
Wildlife	4.00%	15.00%

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the PRSAC taking into consideration the recommendation of LASERS's actuary. Based on those assumptions, LASERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City Court's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City Court's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the City Court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.70%) or one percentage-point higher (8.70%) than the current rate:

	1.0% Decrease (6.70%)	Current Discount Rate (7.70%)	1.0% Increase (8.70%)
City Court's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS financial report.

**City Court of Hammond
Hammond, Louisiana**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Payables to the Pension Plan – As of June 30, 2018, the City Court did not have any payables due to LASERS.

10. On-Behalf Payments for Salaries and Benefits

The City Court follows GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, which requires the City Court to report in the financial statements on-behalf salary and fringe benefit payments made by the State to the City Court Judge and salary and fringe benefits payments made by Tangipahoa Parish Council to the Judge and the City Court’s employees.

Supplementary salary payments are made by the State directly to the City Court Judge and from the Parish Council to the Judge and the City Court’s employees. The City Court is not legally responsible for these salaries; therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by the State and the Parish Council. For the fiscal year ended June 30, 2018, the State and Parish Council paid \$61,744 in supplemental salary payments to the City Court Judge and the Parish Council made supplementary salary and benefit payments of \$32,500 to the City Court’s employees.

11. Compensated Absences

Employees of the City Court earn annual leave and sick leave based on the equivalent of years of service for the City Court and the leave is credited at the end of each regular pay period in accordance with the following schedule:

Years of Service	Hours Earned Per Month	
	Annual Leave	Sick Leave
3 Months - 1 Year	-	3 Days
3 Months - 3 Years	5 Days	-
1 - 5 Years	-	5 Days
3 - 5 Years	10 Days	-
6 - 10 Years	15 Days	7 Days
Over 10 Years	20 Days	10 Days

The City Court’s present written policy provides annual leave hours may be accumulated up to 30 days and is paid upon separation from service in good standing. An unlimited amount of sick leave may be accumulated but is not paid upon separation from service. As a result, no liability for accrued sick leave is recorded by the City Court.

At June 30, 2018, employees of the City Court have accumulated and vested \$67,335 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. This amount is recorded as an obligation of the government-wide liabilities.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

12. Judges' Supplemental Compensation Fund

The Judges' Supplemental Compensation Fund was created to be used solely and exclusively for salary supplements to Judges and commissioners, for related costs of state or municipal retirement funds, and for necessary and associated administrative expenses. A non-refundable fee has been set for every civil filing. The Clerk of Court is required to remit these fees collected to the state treasurer on a monthly basis. The total fees paid for the year ended June 30, 2018, were \$52,202.

Required Supplemental Information (Part II):

Budgetary Comparison Schedules

City Court of Hammond
Hammond, Louisiana
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2018

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Contributions:				
Criminal Docket	\$ 561,038	\$ 598,012	\$ 598,294	\$ 282
Civil Fees	45,500	61,935	59,306	(2,629)
City of Hammond	515,000	515,000	514,975	(25)
City of Ponchatoula	25,000	24,000	24,000	-
Tangipahoa Parish Government	53,894	66,691	66,691	-
Grant Revenue	30,000	30,000	30,000	-
On-Behalf Payments	80,114	98,214	94,244	(3,970)
Civil Docket - Judges Fees	78,200	101,694	99,344	(2,350)
Ad Hoc Judge Fees	4,100	3,351	3,599	248
Interest Income	1,500	1,515	2,142	627
Other Fees	39,000	48,871	52,001	3,130
Total Revenues	1,433,346	1,549,283	1,544,596	(4,687)
Expenditures:				
Salaries	853,064	860,226	858,495	1,731
Judges Salary and Fees	135,677	152,078	152,078	-
Payroll Tax & Employee Benefits	281,037	280,169	278,789	1,380
Ad Hoc Judge Fees	6,000	6,992	5,652	1,340
Computer Software & Programming	5,500	6,446	6,408	38
Educational Conferences & Seminars	23,375	19,716	18,864	852
Equipment Repairs & Maintenance	20,400	18,576	19,465	(889)
Insurance	10,159	8,790	8,417	373
Juvenile Service Programs	1,950	1,148	1,156	(8)
Legal and Professional Fees	21,270	22,563	21,794	769
Miscellaneous	27,334	32,399	31,847	552
Office Supplies	23,500	26,580	24,248	2,332
Records Retention Management	3,000	1,066	1,066	-
Telephone	28,480	27,317	29,291	(1,974)
Uniforms	2,600	-	-	-
Secure Deposit Pickup	15,000	16,104	15,309	795
Capital Outlay	-	1,166	1,167	(1)
Total Expenditures	1,458,346	1,481,336	1,474,046	7,290
Excess (Deficiency) of				
Revenues over Expenditures	(25,000)	67,947	70,550	2,603

(Continued)

**City Court of Hammond
Hammond, Louisiana**
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2018

Schedule 1
(Continued)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Other Financing Sources:				
Transfers from Civil Reserve	25,000	56,044	56,044	-
Total Other Financing Sources	25,000	56,044	56,044	-
 Excess (Deficiency) of Revenues and Other Sources over Expenditures	 -	 123,991	 126,594	 2,603
 Fund Balance - Beginning of the Year	 809,201	 971,589	 840,549	 (131,040)
Fund Balance - End of the Year	\$ 809,201	\$ 1,095,580	\$ 967,143	\$ (128,437)

See auditor's report.

City Court of Hammond
Hammond, Louisiana
 Budgetary Comparison Schedule – Judicial Building Fund
 For the Year Ended June 30, 2018

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Judicial Building Fund Fees	\$ 60,000	\$ 76,312	\$ 77,970	\$ 1,658
Interest Income	300	775	802	27
Total Revenues	60,300	77,087	78,772	1,685
Expenditures:				
Computer Software & Programming	-	60,000	57,337	2,663
Equipment Repairs & Maintenance	57,500	5,406	3,190	2,216
Capital Outlay	25,000	70,595	70,595	-
Total Expenditures	82,500	136,001	131,122	4,879
Excess (Deficiency) of Revenues over Expenditures	(22,200)	(58,914)	(52,350)	6,564
Other Financing Sources:				
Transfer of Investment Earnings	-	-	-	-
Total Other Financing Sources	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(22,200)	(58,914)	(52,350)	6,564
Fund Balance - Beginning of the Year	112,066	62,226	119,823	57,597
Fund Balance - End of the Year	\$ 89,866	\$ 3,312	\$ 67,473	\$ 64,161

See auditor's report.

**City Court of Hammond
Hammond, Louisiana**

Schedule 3

Schedule of the City Court's Proportionate Share of the Net Pension Liability / Asset –
Parochial Employees Retirement System of Louisiana
For the Year Ended June 30, 2018

Fiscal Year*	City Court's Proportion of the Net Pension Liability / (Asset)	City Court's Proportionate Share of the Net Pension Liability / (Asset)	City Court's Covered Employee Payroll	City Court's Proportionate Share of the Net Pension Liability / (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability / (Asset)
2018	0.772260%	\$ (97,166)	\$ 736,333	-13.20%	104.02%
2017	0.798868%	\$ 103,779	\$ 720,982	14.39%	96.54%
2016	0.822531%	\$ 146,448	\$ 615,668	23.79%	93.48%
2015	0.847937%	\$ 2,355	\$ 619,323	0.38%	99.89%
2014	0.820612%	\$ 1,398	\$ 599,636	0.23%	99.93%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year

See auditor's report.

**City Court of Hammond
Hammond, Louisiana**

Schedule 4

Schedule of the City Court's Proportionate Share of the Net Pension Liability –
Louisiana State Employees' Retirement System
For the Year Ended June 30, 2018

<u>Fiscal Year*</u>	<u>City Court's Proportion of the Net Pension Liability</u>	<u>City Court's Proportionate Share of the Net Pension Liability</u>	<u>City Court's Covered Employee Payroll</u>	<u>City Court's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2018	0.000000%	\$ -	\$ 23,550	0.00%	62.54%
2017	0.000000%	\$ -	\$ -	-	-
2016	0.000000%	\$ -	\$ -	-	-
2015	0.002620%	\$ 163,826	\$ 23,550	695.65%	65.02%
2014	0.002650%	\$ 193,043	\$ 47,100	409.86%	58.64%

* The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

See auditor's report.

**City Court of Hammond
Hammond, Louisiana**

Schedule 5

Schedule of the City Court's Contributions –
Parochial Employees Retirement System of Louisiana
For the Year Ended June 30, 2018

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>City Court's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 58,907	\$ (58,907)	\$ -	\$ 736,333	8.00%
2017	\$ 57,679	\$ (57,679)	\$ -	\$ 720,982	8.00%
2016	\$ 55,410	\$ (55,410)	\$ -	\$ 615,668	9.00%
2015	\$ 57,287	\$ (57,287)	\$ -	\$ 619,323	9.25%
2014	\$ 59,964	\$ (59,964)	\$ -	\$ 599,636	10.00%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year

See auditor's report.

**City Court of Hammond
Hammond, Louisiana**

Schedule 6

Schedule of the City Court's Contributions –
Louisiana State Employees' Retirement System
For the Year Ended June 30, 2018

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>City Court's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 9,444	\$ (9,444)	\$ -	\$ 23,550	40.10%
2017	\$ -	\$ -	\$ -	\$ -	-
2016	\$ -	\$ -	\$ -	\$ -	-
2015	\$ 9,773	\$ (9,773)	\$ -	\$ 23,550	41.50%
2014	\$ 17,097	\$ (17,097)	\$ -	\$ 47,100	36.30%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year

See auditor's report.

Other Supplemental Information

City Court of Hammond
Hammond, Louisiana
 Schedule of the Compensation, Benefits, and
 Other Payments to Agency Head
 For the Year Ended June 30, 2018

Schedule 7

Agency Head: Honorable Grace B. Gasaway, Judge

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 152,078
Benefits - Insurance	-
Benefits - Retirement	-
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	-
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	-
Dues	1,595
Per Diem	-
Reimbursements	-
Travel	89
Registration Fees	750
Conference Travel	115
Housing	1,611
Unvouchered Expenses	-
Special Meals	-
Other	153
	<u>\$ 156,391</u>

See auditor's report.

**Other Independent Auditor's Reports and
Findings and Recommendations**

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Christie J. Barado
Megan E. Lynch
B. Jacob Steib
Debbie G. Faust, EA
Ramona K. Huckabee, EA



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Member of
American Institute of CPAs
Society of Louisiana CPAs

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Honorable Grace Bennett Gasaway
City Court of Hammond
Hammond, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City Court of Hammond's basic financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City Court of Hammond's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City Court of Hammond's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Court of Hammond'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

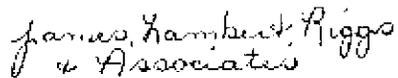
As part of obtaining reasonable assurance about whether the City Court of Hammond's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

City Court of Hammond
October 30, 2018

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "James Lambert Riggs & Associates".

James, Lambert, Riggs and Associates, Inc.

Hammond, Louisiana
October 30, 2018

**City Court of Hammond
Hammond, Louisiana**

Schedule of Current Year Audit Findings, Recommendations, and Responses
For the Year Ended June 30, 2018

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Hammond, a component unit of the City of Hammond, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City Court's basic financial statements, and have issued our report thereon dated October 30, 2018. Our audit of the basic financial statements resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness	___	Yes	_X_	No
Significant Deficiencies	___	Yes	_X_	No

Compliance:

Compliance Material to the Financial Statements	___	Yes	_X_	No
---	-----	-----	-----	----

2. Management Letter

Was a management letter issued?	___	Yes	_X_	No
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Section II Financial Statement Findings

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

City Court of Hammond
Hammond, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Ref. #	Fiscal Year Findings Occurred	Description of Findings	Corrective Action Taken
--------	-------------------------------------	-------------------------	-------------------------

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Note: This schedule has been prepared by the management of the City Court of Hammond.

CITY COURT OF HAMMOND

STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT

FOR THE YEAR ENDED JUNE 30, 2018

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Christie J. Barado
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Independent Accountants' Report on Applying Agreed-Upon Procedures

To Honorable Grace Bennett Gasaway, Judge
City Court of Hammond and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City Court of Hammond and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The City Court of Hammond's management is responsible for those control and compliance areas identified in the SAUPs.

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

Our procedures and findings are detailed in Schedule "A"

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

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

*James Lambert Riggs
& Associates*

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

October 31, 2018

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Results: No exceptions noted to the above procedures.

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.

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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)

Results: No exceptions noted to the above procedures – the City Court of Hammond does not have any credit cards as of June 30, 2018.

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: N/A – the City Court of Hammond has never had any long-term debt / debt service.

Bank Reconciliations

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

Results: Management provided us with the required listing of bank accounts as well as management's representation that the listing is complete.

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: For the five (5) bank accounts selected, four (4) bank accounts had outstanding items over 12 months as of June 30, 2018; however, the City Court of Hammond has documentation that it is working to send these outstanding checks to the Louisiana Department of the Treasury, Unclaimed Property Division.

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

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

Results: Management provided us with the required listing of locations and well as management's representation that the listing is complete.

4. For each location selected under #3 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

Results: No exceptions noted to the above procedures.

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

Results: No exceptions noted to the above procedures.

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

Results: The employee responsible for processing payments is not prohibited from adding / modifying vendor files, and another employee does not periodically review changes to vendor files.

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.

Results: No exceptions noted to the above procedures.

5. For each location selected under #3 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

Results: No exceptions noted to the above procedures.

b) Observe that the disbursement documentation included evidence (e.g., initial / date, electronic logging) of segregation of duties tested under #4, as applicable.

Results: No exceptions noted to the above procedures.

Grace Bennett Gasaway
Judge

Pat Farris
Marshal



City Court of Hammond
7th Ward - Tangipahoa Parish
State of Louisiana

303 East Thomas Street
Hammond, Louisiana 70401

Guy Recotta, Jr.
Clerk of Court

October 31, 2018

James, Lambert, Riggs & Associates, Inc.
Certified Public Accountants
P O Drawer 369
Hammond, LA 70404

Dear Paul,

The City Court of Hammond shall establish a policy for review of the vendor listing each month.

Respectfully yours,

Guy Recotta, Jr.

Clerk of Court