

Financial Report

*Judicial Expense Fund for the
Civil District Court for the Parish of Orleans*

December 31, 2019



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TABLE OF CONTENTS

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019

| | <u>Page Numbers</u> |
|--|-------------------------|
| Introductory Section | |
| Letter of Transmittal | 1 - 4 |
| Principal Officials | 5 |
| Organizational Chart | 6 |
| Financial Section | |
| Independent Auditor's Report | 7 - 10 |
| Management's Discussion and Analysis | 11 - 18 |
| Exhibits | |
| Basic Financial Statements: | |
| A - Statement of Net Deficit | 19 - 20 |
| B - Statement of Activities | 21 |
| Fund Financial Statements: | |
| C - Balance Sheet - Governmental Fund | 22 |
| D - Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Deficit | 23 |
| E - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund | 24 |
| F - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | 25 |
| G - Statement of Fiduciary Funds - Agency Funds - Clerk of First City Court and Clerk of Second City Court | 26 |
| H - Statement of Fiduciary Funds - Agency Funds - Clerk of Civil District Court | 27 |
| I - Notes to Financial Statements | 28 - 70 |

TABLE OF CONTENTS
(Continued)

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

December 31, 2019

| | <u>Page Numbers</u> |
|---|-------------------------|
| Required Supplementary Information | |
| Schedules | |
| 1 - Schedule of Revenues and Expenditures Budgeted and Actual | 71 |
| 2 - Note to Required Supplementary Information - Budgetary Reporting | 72 |
| 3 - Schedule of Employer's Proportionate Share of Net Pension Liability | 73 - 74 |
| 4 - Schedule of Employer's Contributions | 75 - 76 |
| 5 - Notes to Required Pension Supplementary Information | 77 |
| 6 - Schedule of Changes in Total OPEB Liability and Related Ratios | 78 |
| Supplementary Information | |
| Schedules | |
| 7 - Schedule of Revenues and Expenses - by Ledger | 79 |
| 8 - Statement of Changes in Fiduciary Funds - Agency Funds - Clerk of First City Court and Clerk of Second City Court | 80 |
| 9 - Statement of Changes in Fiduciary Funds - Agency Funds - Clerk of Civil District Court | 81 |
| 10 - Schedule of Compensation, Benefits, and Other Payments to Chief Judge | 82 |
| Special Reports of Certified Public Accountants | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> | 83 - 84 |
| Schedule of Findings and Responses | 85 - 86 |
| Reports by Management | |
| Schedule of Prior Year Findings and Responses | 87 |
| Management's Corrective Action Plan | 88 |
| Statewide Agreed-Upon Procedures (R.S. 24:513) | |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 89 - 97 |

INTRODUCTORY SECTION

Judicial Expense Fund

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New Orleans, LA 70112

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June 19, 2020

LETTER OF TRANSMITTAL

To the Chief Christopher J. Bruno,
The Judges En Banc of the Judicial Expense Fund for the
Civil District Court for the Parish of Orleans,
The Supreme Court of the State of Louisiana,
Citizens of the Parish of Orleans, and the State of Louisiana,
New Orleans, Louisiana.

It is my privilege to present the Annual Financial Report on the financial condition of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans, also including First and Second City Courts, (the "Judicial Expense Fund"), for the year ended December 31, 2019. The report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), and is submitted in accordance with Louisiana Revised Statutes, Title 24, section 514.

The Judges *En Banc* of the Judicial Expense Fund are responsible for the accuracy, completeness and fair presentation of the data, representations, and disclosures presented in the report. To the best of my knowledge and belief, the data presented are accurate in all material respects, reported in a manner designed to fairly present the financial position and results of operations, and provide disclosures necessary to enable the reader to gain an understanding of the financial activities and condition of the Judicial Expense Fund.

GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is intended to complement Management's Discussion and Analysis, which begins immediately following the independent auditor's report, and should be read in conjunction with it.

Independent Audit

These financial statements have been audited by the firm of Bourgeois Bennett, L.L.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Judicial Expense Fund as of and for the year ended December 31, 2019 are fairly stated in accordance with GAAP. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The financial statements of the Judicial Expense Fund as of and for the year ended December 31, 2019 are fairly presented in accordance with GAAP. The independent auditor's report is the first component of the financial section of this report.

Accounting Control

Management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse and that adequate accounting data are compiled to provide for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that the internal accounting controls of the Judicial Expense Fund adequately safeguard assets and provide reasonable assurance of proper recording and reporting of financial transactions.

Profile of the Judicial Expense Fund

The Louisiana State Constitution of 1879 created the Judicial Expense Fund, which includes a district court (Orleans Parish Civil District Court); two city courts (First City Court and Second City Court of New Orleans); and two city offices (the Recorder of Mortgages and the Register of Conveyances of New Orleans). Act 621 of the Louisiana Legislature was signed by the governor on June 23, 2006. As a result of this legislation, the composition of the fund has changed. Effective January 1, 2009, the Recorder of Mortgages and the Register of Conveyances became divisions of the Clerk of Civil District Court's Operations and are no longer a part of the Judicial Expense Fund. Management's Discussion and Analysis includes a description of the financial reporting entity, and Note 1 explains the significant accounting policies.

The Judicial Expense Fund has only one fund, a General Fund. Revenues are comprised primarily of filing fees paid by attorneys and litigants. The Judicial Expense Fund is completely self-funded and does not receive tax revenue of any type. As of and December 31, 2019, the Judicial Expense Fund did not have any debt, and a significant amount of the Fund Balance is unreserved.

As the Organizational Chart on page 6 shows, the fourteen judges of Civil District Court, the three judges of First City Court, and the judge of Second City Court form the Judges *En Banc*, which is charged with managing the Judicial Expense Fund in accordance with Louisiana Revised Statutes, Title 13, and Section 1312. The names of these principal officials can be found on page 5 following this letter. All eighteen judges are elected for six-year terms. The terms of all Civil District Court judges and First City Court judges, expire on December 31, 2020, and the term of Second City Court judge expires on December 31, 2024.

Budget

The Judges *En Banc* at a public meeting on December 4, 2018, adopted a budget for the year ending December 31, 2019. This budget was not amended by the *Judges En Banc*. In accordance with Louisiana Revised Statutes, Title 39, section 1305 the budget is prepared by function and character. Management's Discussion and Analysis compares the budget with actual results and discusses the reasons for the major variances. The budget-to-actual financial statement appears as required supplemental information, which supplements the basic financial statements.

Capital Improvement Projects

A capital improvement project to replace the flooring in the court rooms and offices of the Civil District Courthouse and to update computer equipment will continue in 2020.

Investments

Currently, idle funds are invested in two money market accounts. Note 2 describes the risks associated with these invested funds.

Risk Management

The Judges *En Banc* manage the Judicial Expense Fund's risks by purchasing commercial insurance policies, including coverage for general liability, property, crime, errors and omissions, professional liability, and workers compensation. Please see Note 12 for information on when liabilities are recorded in the financial statements.

Pensions

As is described in detail in Note 9, employees of the Judicial Expense Fund participate in one of three multiple-employer defined benefit retirement plans, depending on the employee's job. In June, 2012 the GASB issued Statement Number 68, "*Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*". The Judicial Expense Fund began implementing this statement in 2015. Note 9 contains additional pension information, including employer and employee contribution rates for 2019.

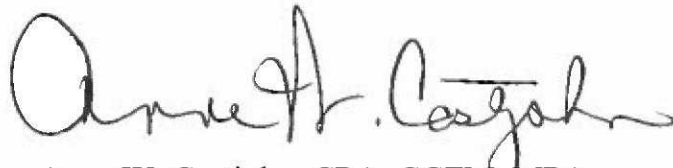
Postemployment Benefits

GASB issued Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was adopted for 2018. The Judicial Expense Fund participates in the program of the Louisiana Office of Group Benefits. Note 8 provides greater detail about postemployment benefits.

Acknowledgments

I express my appreciation to Traci Dias, Judicial Administrator, the Judges *En Banc*, Parochial Officials and their respective staff members for their support in preparing this report. I would also like to thank the staff of the Judicial Expense Fund for their hard work and contributions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Anne W. Castjohn". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

Anne W. Castjohn, CPA, CGFM, MPA
Chief Accountant

PRINCIPAL OFFICIALS

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019

| <u>Judge's Name</u> | <u>Court</u> | <u>Division</u> |
|---------------------------------|----------------------------|-----------------|
| 2019 Judges En Banc | | |
| Ellen M. Hazeur | Civil District Court | A |
| Rachel D. Johnson | Civil District Court | B |
| Sidney H. Cates, IV | Civil District Court | C |
| Nakisha Ervin Knott | Civil District Court | D |
| Omar Mason | Civil District Court | E |
| Christopher Bruno** | Civil District Court | F |
| Robin M. Giarrusso | Civil District Court | G |
| Monique Barial | Civil District Court | H |
| Piper D. Griffin | Civil District Court | I |
| D. Nicole Sheppard | Civil District Court | J |
| Bernadette D'Souza | Civil District Court | K |
| Kern A. Reese | Civil District Court | L |
| Paulette R. Irons** | Civil District Court | M |
| Ethel Simms Julien | Civil District Court | N |
| Monique G. Morial | First City Court | Section A |
| Angelique A. Reed* | First City Court | B |
| Veronica Henry | First City Court | C |
| E. "Teena" Anderson-Trahan | Second City Court | |
| 2019 Parochial Officials | | |
| Austin Badon | Clerk of First City Court | |
| Darren Lombard | Clerk of Second City Court | |

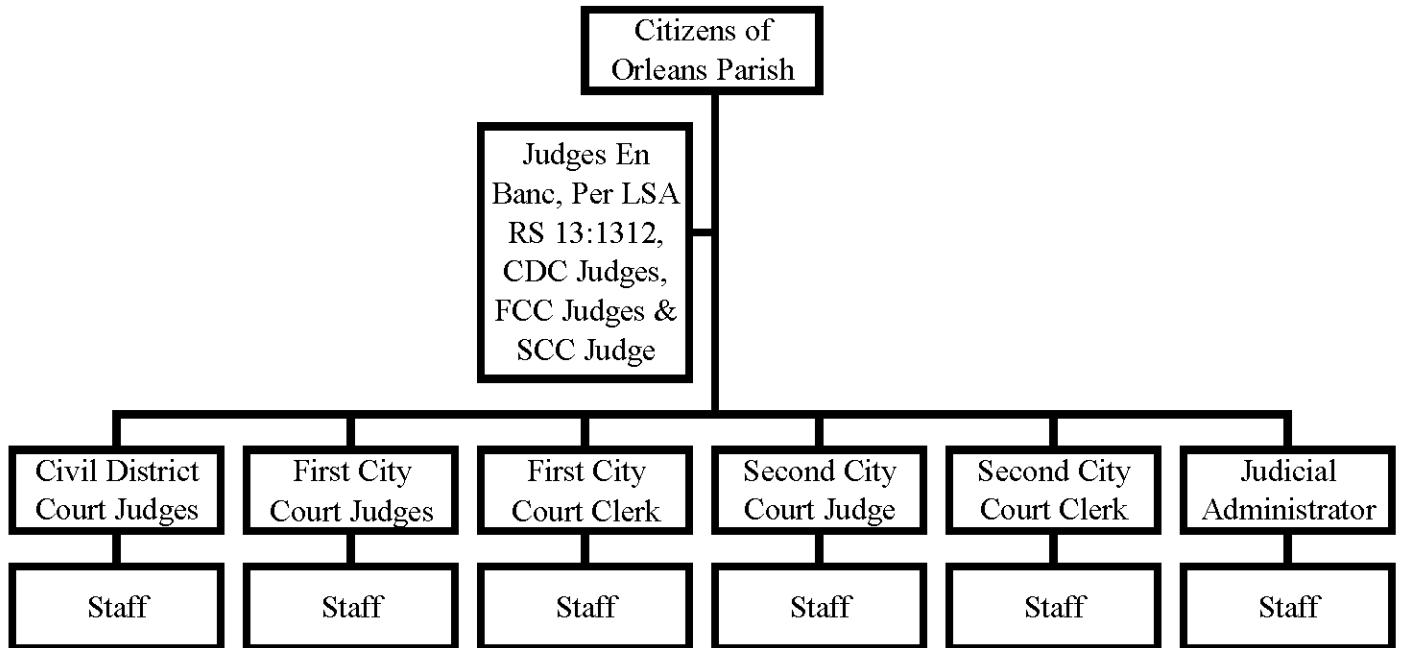
* Deceased November 2019

** Judge Christopher Bruno replaced Judge Paulette Irons as Chief Judge effective 1-1-2020

ORGANIZATIONAL CHART

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Chief Paulette R. Irons,
The Judges En Banc of the Judicial Expense Fund for the Civil District Court
for the Parish of Orleans, The Supreme Court of the State of Louisiana,
Citizens of the Parish of Orleans, and the State of Louisiana,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Judicial Expense Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

We did not audit the Statement of Fiduciary Funds, Exhibit G, of the Clerk of First City Court for the Parish of Orleans and the Clerk of Second City Court for the Parish of Orleans as of December 31, 2018, whose fiscal operations pursuant to LSA-R.S. 13.1312, are managed by the Judicial Expense Fund and we did not audit the Statement of Fiduciary Funds, Exhibit H, for the Clerk of Civil District Court for the Parish of Orleans as of December 31, 2018. The Statement of Fiduciary Funds, Exhibit G, for the Clerk of First City Court for the Parish of Orleans reflects total assets of \$879,023 as of December 31, 2018. The Statement of Fiduciary Funds, Exhibit G, for the Second City Court for the Parish of Orleans reflects total assets of \$79,444 as of December 31, 2018. The Statement of Fiduciary Funds, Exhibit H, for the Clerk of Civil District Court for the Parish of Orleans reflects total assets of \$49,231,987 as of December 31, 2018. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Civil District Court for the Parish of Orleans, the Clerk of First City Court for the Parish of Orleans and the Clerk of Second City Court for the Parish of Orleans, are based solely on the report of the other auditors.

Our responsibility is to express an opinion on these 2019 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Qualified Opinion

As more fully described in Note 5 to the financial statements, the financial statements for the Judicial Expense Fund do not include the Statement of Fiduciary Funds as of December 31, 2019 for Registry of the Court and Garnishment Funds for the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans. In our opinion, accounting principles generally accepted in the United States of America require that the Statement of Fiduciary Fund include information about all fiduciary funds of the primary government. The Registry of the Court and Garnishment Funds for the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans were not included because those funds have been audited by other auditors and those 2019 reports have not been furnished to us as of the date of our report.

Qualified Opinion

In our opinion, except for the omission of the Statement of Fiduciary Funds as of December 31, 2019 of the Clerk of the Civil District Court for the Parish of Orleans, the Clerk of the First City for the Parish of Orleans, and the Clerk of the Second City Court for the Parish of Orleans, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans as of December 31, 2019, and the respective change

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 information on pages 11 through 18, and the required supplementary information on pages 71 through 78, 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 audits 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 Judicial Expense Fund's basis financial statements. The Introductory Section and Supplementary Information Section are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Supplementary Information Section, pages 79 through 82, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory Section on pages 1 through 6 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 19, 2020, on our consideration of the Judicial Expense Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Judicial Expense Fund's internal control over financial reporting and compliance.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 19, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019

Introduction to the Two Types of Financial Statements

The Management's Discussion and Analysis of Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") financial performance presents a narrative overview and analysis of the Judicial Expense Fund's financial activities for the year ended December 31, 2019. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the financial statements, which follow this section.

The Judicial Expense Fund has only one fund, the General Fund, and engages in judicial activities, a governmental activity of a special-purpose government. The fund financial statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance), show the financial position and results of operations using the current financial resources measurement focus and the modified accrual basis of accounting, emphasizing the change in fund balance as a result of the current year's operations, as well as the amount of resources available to spend. The government-wide financial statements (Statement of Net Deficit and Statement of Activities,) show the financial position and results of operations and using the total economic resources measurement focus and the accrual basis of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private-sector for-profit enterprises.

The difference in measurement focus affects the types of transactions and events that are reported in the two types of financial statements. Specifically, since the fund statements are concerned with only current financial resources, noncurrent assets and liabilities are not shown on the Balance Sheet, and their related expenses are not reflected in the operating statement; government-wide financial statements include noncurrent assets and liabilities and their related expenses. For the Judicial Expense Fund at the fund level, the full purchase price of capital assets (\$263,209 in 2019 and \$311,720 in 2018) has been recorded as expenditures on the operating statement in the year of purchase, since available financial resources have been decreased (cash has been spent to purchase these assets). In contrast, the government-wide statements focus on total economic resources, capital assets are shown as noncurrent assets on the Statement of Net Deficit (with their related accumulated depreciation), and a portion of their purchase price has been allocated as depreciation expense on the Statement of Activities, as is the practice in private-sector enterprises. On the liability side, the fund-level Balance Sheet excludes noncurrent liabilities (\$24,158,629 in

Introduction to the Two Types of Financial Statements (Continued)

2019 and \$23,312,636 in 2018), but the government-wide Statement of Net Position (Deficit) includes these liabilities, as they will be paid sometime in the future and thus affect total economic resources, although not current financial resources.

The second difference between fund and government-wide financial statements is the basis of accounting, or the timing of the recognition of transactions and events. Fund statements use the modified accrual basis of accounting, which recognizes revenues when they are earned, as they are collectible within the fiscal period, and expenditures when they are due (hence the elimination of long-term liabilities from the Balance Sheet). The government-wide financial statements use the full accrual basis of accounting: revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the receipt or disbursement. In layman's terms, fund financial statements focus on the current fiscal year, and the resources that are available and spendable, and government-wide statements focus on the overall economic position, both short-term and long-term. The table below summarizes these differences.

| | Fund | Government-wide |
|--------------------------|---|--|
| Statement of Position | Balance Sheet | Statement of Net Position (Deficit) |
| Statement of Operations | Statement of Revenues, Expenditures, and Changes in Fund Balance | Statement of Activities |
| Measurement focus | Current financial resources | Total economic resources |
| Basis of accounting | Modified accrual | Accrual |
| Capital assets | Full purchase price is expensed in the year of purchase in the operating statement; not recorded on the Balance Sheet | Full purchase price is recorded as a capital asset on the Statement of Net Position (Deficit); depreciation expense for the current fiscal year is recorded in the Statement of Activities; total accumulated depreciation is shown on the Statement of Net Position (Deficit); the related expense is recorded in the Statement of Activities |
| Noncurrent liabilities | Not shown on the Balance Sheet; the related expenditure is not recorded in the operating statement until the expenditure has occurred | Shown on the Statement of Net Position (Deficit); the related expense is recorded in the Statement of Activities |
| Depreciation expense | Not recorded | Recorded in the Statement of Activities |
| Accumulated depreciation | Not recorded | Shown on the Statement of Net Position (Deficit) |

Overview of Difference in Fund and Government-Wide Financial Statements

The presentation of the two sets of financial statements is also different. On the fund level, the Balance Sheet shows Assets, Liabilities, and Fund Balance, with a reconciliation to Net Position (Deficit) which follows the government-wide Statement of Net Position (Deficit). All assets and liabilities on the Balance Sheet are current. The government-wide Statement of Position (Deficit) shows Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, separated into current and noncurrent, and Net Position (Deficit) (the difference). All of the Judicial Expense Fund's Net Position (Deficit), except for the \$524,100 invested in capital assets is unrestricted; the fund balance is nonspendable and unassigned.

A significant difference lies in the presentation of the operating statement. The fund Statement of Revenues, Expenditures, and Changes in Fund Balance lists revenues followed by the detailed list of expenditures (separated into direct and indirect) and ends with the change in fund balance. This familiar statement answers the question; did this year's operations increase or decrease fund balance? (available financial resources). The L-shaped government-wide Statement of Activities, which is read across then down, answers the question; how much did it cost to provide this service? So it begins with the expenses of each function, followed by program revenues (the specific revenues provided by users of the services, divided into charges for services and operating grants), to derive at Net Program Revenue (the difference between program revenues and expenses). Reading down the net column, general revenues are added to calculate the change in net position (deficit), which is reconciled to net position (deficit) at the end of the year. The four functions of the Judicial Expense Fund are (1) the fourteen divisions of Civil District Court; (2) three sections of First City Court; (3) Second City Court, and (4) Domestic Support. General and administrative costs are allocated to the four functions based on that function's percent of total revenues derived from filing fees.

Using this Annual Report

The Judicial Expense Fund's annual report consists of financial statements that show information about the Judicial Expense Fund's General Fund at the fund level, and Statement of Net Position (Deficit) and Statement of Activities at the government-wide level.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this Management Discussion and Analysis. That opinion is modified with respect to the basic financial statements due to the omission of the Statement of Fiduciary Funds as of December 31, 2019. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

How 2019 Compares with 2018 - Statement of Net Position (Deficit)

The table below shows condensed information from the Statement of Net Position (Deficit) for 2019 and 2018.

Statements of Net Deficit Comparative Data

| | 2019 | 2018 | Variance Increase (Decrease) Amounts | Variance Increase (Decrease) % |
|--|-----------------------|-----------------------|---|---|
| Capital assets, net | \$ 524,100 | \$ 432,041 | \$ 92,059 | 21.31% |
| Other assets | 10,485,228 | 8,951,489 | 1,533,739 | 17.13% |
| Total assets | 11,009,328 | 9,383,530 | 1,625,798 | 17.33% |
| Deferred outflows of resources | 3,922,142 | 3,051,923 | 870,219 | 28.51% |
| Total assets and deferred outflows of resources | 14,931,470 | 12,435,453 | 2,496,017 | 20.07% |
| Noncurrent liabilities | 24,158,629 | 23,312,636 | 845,993 | 3.63% |
| Other liabilities | 576,723 | 863,661 | (286,938) | -33.22% |
| Total liabilities | 24,735,352 | 24,176,297 | 559,055 | 2.31% |
| Deferred inflows of resources | 1,278,803 | 885,703 | 393,100 | 44.38% |
| Total liabilities and deferred outflows of resources | 26,014,155 | 25,062,000 | 952,155 | 3.80% |
| Total net position (deficit) | <u>\$(11,082,685)</u> | <u>\$(12,626,547)</u> | <u>\$1,543,862</u> | <u>-12.23%</u> |

Capital assets increased from 2018 to 2019 because purchases of capital assets of \$263,209 was greater than depreciation expense for 2019 of \$166,906. Notes 1 and 4 include details on all of the Judicial Expense Fund's capital assets.

The main components of other assets are cash and accounts receivable. Cash increased by \$1,468,018, accounts receivable increased by \$24,690, and interest receivable increased by \$15,776. The remaining increase of other assets of \$25,255 is attributable to prepaid items.

How 2019 Compares with 2018 - Statement of Net Deficit

Current liabilities decreased due to a decrease in accounts payable.

The adoption of the provisions of GASB 68, 71, and 75 however has had the greatest impact on the Statement of Net Deficit. These pronouncements required that the Judicial Expense Fund to report its prorated portion of the net pension liability for employees who are participating in the pension plans and the recording of postemployment benefits. Although these are long-term liabilities and does not affect the governmental fund financial statements of the Judicial Expense Fund, they are the primary cause of a net deficit of \$11,082,685 in the government-wide financial statements.

How 2019 compares with 2018 Statement of Activities

The table below gives comparative data from the Statement of Activities for the years ending December 31, 2019 and December 31, 2018.

Statements of Activities Comparative Data

| | <u>2019</u> | <u>2018</u> | <u>Variance Increase (Decrease) Amounts</u> | <u>Variance Increase (Decrease) %</u> |
|---|-----------------------|-----------------------|---|---|
| Revenues: | | | | |
| Program revenues | \$ 10,505,923 | \$ 9,797,194 | \$ 708,729 | 7.23% |
| General revenues | <u>1,802,799</u> | <u>1,784,858</u> | <u>17,941</u> | <u>1.01%</u> |
| Total revenues | <u>12,308,722</u> | <u>11,582,052</u> | <u>726,670</u> | <u>6.27%</u> |
| Expenses: | | | | |
| Civil District Court | 5,943,703 | 5,359,177 | 584,526 | 10.91% |
| First City Court | 3,180,580 | 2,975,365 | 205,215 | 6.90% |
| Second City Court | 691,622 | 627,721 | 63,901 | 10.18% |
| Domestic support | <u>948,955</u> | <u>884,706</u> | <u>64,249</u> | <u>7.26%</u> |
| Total expenses | <u>10,764,860</u> | <u>9,846,969</u> | <u>917,891</u> | <u>9.32%</u> |
| Change in net position (deficit) | <u>1,543,862</u> | <u>1,735,083</u> | <u>(191,221)</u> | <u>-11.02%</u> |
| Net deficit, | | | | |
| Beginning of year, | | | | |
| (as previously reported) | (12,626,547) | (9,603,263) | (3,023,284) | 31.48% |
| Restatement, implementation of GASB 75 | <u>-</u> | <u>(4,758,367)</u> | <u>4,758,367</u> | <u>-100.00%</u> |
| Net deficit, beginning of year, restated | <u>(12,626,547)</u> | <u>(14,361,630)</u> | <u>1,735,083</u> | <u>-12.08%</u> |
| End of year | <u>\$(11,082,685)</u> | <u>\$(12,626,547)</u> | <u>\$1,543,862</u> | <u>-12.23%</u> |

How 2019 compares with 2018 Statement of Activities (Continued)

The Statement of Activities shows the results of operations for the year ended December 31, 2019. Current year expenses were approximately \$918,000 more than the prior year primarily due to changes in the pension liability and the related pension expense. Revenues increased approximately \$727,000 due to an increase in filing fees and other income.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Judicial Expense Fund uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Judicial Expense Fund's governmental fund is to provide information on near-term inflows (revenues), outflows (expenditures), and balances of spendable resources. Such information is useful in assessing the Judicial Expense Fund's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year. As of the end of the current year, the Judicial Expense Fund's, the General Fund, reported an ending fund balance of \$9,908,505, an increase of \$1,820,677 in comparison with the prior year. An unassigned fund balance of \$9,824,290 is available for spending at the Judicial Expense Fund's discretion. The remainder of fund balance is nonspendable to indicate that it is not available for new spending because it has already been committed for insurance.

Budgetary Comparison

The table below shows the amounts for the original budget and actual results for 2019 and 2018. The original budget was not amended during the year ended December 31, 2019.

Budgetary Comparison Data

| | 2019 | | 2018 | | |
|-------------------------------|--------------------|--------------|--------------------|-------------------|--------------|
| | Original Budget | Actual | Original Budget | Amended Budget | Actual |
| Revenues | \$11,808,635 | \$12,308,723 | \$10,315,999 | \$11,313,000 | \$11,582,052 |
| Operating expenditures | 10,687,648 | 10,224,837 | 9,954,518 | 10,080,459 | 9,690,018 |
| Capital expenditures | 300,000 | 263,209 | 300,000 | 300,000 | 311,720 |
| Total expenditures | 10,987,648 | 10,488,046 | 10,254,518 | 10,380,459 | 10,001,738 |
| Net change in fund balance | \$ 820,987 | \$ 1,820,677 | \$ 61,481 | \$ 932,541 | \$ 1,580,314 |

CAPITAL ASSETS**Capital Assets**

The Judicial Expense Fund's investment in capital assets for its governmental activities as of December 31, 2019 totaled \$524,100 (net of accumulated depreciation). This investment in capital assets includes office furniture, fixtures, equipment, and leasehold improvements.

| | <u>2019</u> | <u>2018</u> |
|----------------|------------------|------------------|
| Capital assets | <u>\$524,100</u> | <u>\$432,047</u> |

Major capital additions include computer equipment of \$31,570, software of \$73,473, office equipment of \$72,136, furniture and fixtures of \$32,127, flooring and painting of \$47,094, and other leasehold improvements of \$6,809.

Additional information on the Judicial Expense Fund's capital assets can be found in Note 4.

Significant Events

The implementation of the provisions of GASB 68 and 71 has had a major impact on the Judicial Expense Fund. There have been many challenges with these pronouncements and determined our net pension liability and deferred inflows and outflows based upon the actuarial reports provided to us by the three different pension funds. Long-term liabilities now includes an accrued net pension liability of \$15,815,024 discussed in Note 9, an accrued other post-employment benefit liability, \$7,346,597, discussed in Note 8, a retirement escrow which is discussed in Note 1 and a related party liability of \$997,008, discussed in Note 7. The payments made to reduce this long-term liabilities do not present a problem for the Judicial Expense Fund in the short term or long term.

Since the Judicial Expense Fund has only one fund, the General Fund, no fund analysis is necessary as this entire discussion pertains to this single general fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Judicial Expense Fund typically considers the following factors and indicators when setting the next year's budget for revenues and expenses. These factors and indicators are as follows:

- Revenues are budgeted based on current rates and an estimate of how the volume of cases will be affected by economic factors and current events. For example, in the 2020 budget, it was assumed that revenues would increase slightly over the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The *Judges en Banc* approved a 3% salary increase for employees of the Judicial Expense Fund effective January 1, 2020. The 2020 budget is based on the assumption that expenses related to salaries and benefits would increase.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Judicial Expense Fund's finances for all those with an interest in the Judicial Expense Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Judicial Expense Fund, 421 Loyola Avenue, Room 320, New Orleans, Louisiana 70112.

STATEMENT OF NET DEFICIT

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019

ASSETS

Current Assets

| | |
|------------------------------|---------------|
| Cash (Note 2) | \$ 9,720,669 |
| Accounts receivable (Note 3) | 595,592 |
| Interest receivable (Note 5) | 84,752 |
| Prepaid expense | <u>84,215</u> |
| Total current assets | 10,485,228 |

Noncurrent Assets

| | |
|--|-------------------|
| Capital assets, net of accumulated depreciation (Note 4) | <u>524,100</u> |
| Total assets | <u>11,009,328</u> |

Deferred Outflows of Resources

| | |
|---|------------------|
| Deferred amounts related to net pension liability | 3,537,147 |
| Deferred amounts related to other postemployment benefits | <u>384,995</u> |
| Total deferred outflows of resources | <u>3,922,142</u> |

| | |
|---|-----------------------------|
| Total assets and deferred outflows of resources | <u><u>\$ 14,931,470</u></u> |
|---|-----------------------------|

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

LIABILITIES**Current Liabilities**

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 512,813 |
| Salaries and benefits payable | <u>63,910</u> |
| Total current liabilities | <u>576,723</u> |

Noncurrent Liabilities

| | |
|--|-------------------|
| Net pension liability | 15,815,024 |
| Other noncurrent liabilities | 997,008 |
| Unfunded other postemployment benefits | <u>7,346,597</u> |
| Total noncurrent liabilities | <u>24,158,629</u> |
| Total liabilities | <u>24,735,352</u> |

Deferred Inflows of Resources

| | |
|---|-------------------|
| Deferred amounts related to other postemployment benefits | 962,796 |
| Deferred amounts related to net pension liability | <u>316,007</u> |
| Total deferred inflows of resources | <u>1,278,803</u> |
| Total liabilities and deferred inflows of resources | <u>26,014,155</u> |

NET DEFICIT

| | |
|---|-------------------------------|
| Net investment in capital assets (Note 4) | 524,100 |
| Unrestricted | <u>(11,606,785)</u> |
| Total net deficit | <u><u>\$ (11,082,685)</u></u> |

STATEMENT OF ACTIVITIES

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expenses) Revenue Change in Net Deficit</u> |
|----------------------------------|-----------------------------|--|---|
| Government Activities: | | | |
| Program: | | | |
| Civil District Court | \$ 5,943,703 | \$ 7,554,392 | \$ 1,610,689 |
| First City Court | 3,180,580 | 2,352,760 | (827,820) |
| Second City Court | 691,622 | 354,802 | (336,820) |
| Domestic support | 948,955 | 243,969 | (704,986) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total governmental activities | <u>\$ 10,764,860</u> | <u>\$ 10,505,923</u> | <u>(258,937)</u> |
| General revenues: | | | |
| Interest income | | | 177,851 |
| Other income | | | 1,624,948 |
| | | | <u> </u> |
| Total general revenues | | | <u>1,802,799</u> |
| Change in Net Deficit | | | 1,543,862 |
| Net Deficit | | | |
| Beginning of year | | | <u>(12,626,547)</u> |
| End of year | | | <u>\$ (11,082,685)</u> |

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

BALANCE SHEET - GOVERNMENTAL FUND

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

December 31, 2019

ASSETS

| | |
|---|---------------|
| Cash | \$ 9,720,669 |
| Accounts receivable | 22,460 |
| Interest receivable | 84,752 |
| Prepaid expense | 84,215 |
| Due from Clerk of Civil District Court: | |
| Benefit fund | 5,917 |
| Salary fund | 567,215 |
| | <hr/> |
| Total assets | \$ 10,485,228 |
| | <hr/> <hr/> |

LIABILITIES AND FUND BALANCE

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 512,813 |
| Salaries payable | 63,910 |
| | <hr/> |
| Total liabilities | 576,723 |
| | <hr/> |
| Nonspendable fund balance | 84,215 |
| Unassigned fund balance | 9,824,290 |
| | <hr/> |
| Total fund balance | 9,908,505 |
| | <hr/> |
| Total liabilities and fund balance | \$ 10,485,228 |
| | <hr/> <hr/> |

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

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET DEFICIT

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans**
New Orleans, Louisiana

December 31, 2019

| | | |
|--|--------------------|-------------------------------|
| Fund balance - governmental fund | | <u>\$ 9,908,505</u> |
| 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 are not reported in the governmental funds | | |
| Governmental capital assets | \$ 1,025,738 | |
| Less: accumulated depreciation | <u>(501,638)</u> | |
| | | <u>524,100</u> |
| Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds: | | |
| Deferred amounts related to net pension liability | 3,537,147 | |
| Deferred amounts related to other postemployment benefits | <u>384,995</u> | |
| | | <u>3,922,142</u> |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | |
| Net pension liability | (15,815,024) | |
| Other noncurrent liabilities | (997,008) | |
| Other postemployment benefit obligations | <u>(7,346,597)</u> | |
| | | <u>(24,158,629)</u> |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds | | |
| Deferred amounts related to net pension liability | (316,007) | |
| Deferred amounts related to other postemployment benefits | <u>(962,796)</u> | |
| | | <u>(1,278,803)</u> |
| Net deficit of governmental activities | | <u><u>\$ (11,082,685)</u></u> |

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

Revenues

| | |
|-------------------------------|-------------|
| Filing fees, net ⁺ | \$9,045,023 |
| Interest income | 177,851 |
| Domestic support | 243,969 |
| Other income | 2,841,880 |
| | <hr/> |
| Total revenues | 12,308,723 |

Direct Expenditures

| | |
|----------------------------------|-----------|
| Salaries | 6,008,066 |
| Employee benefits | 2,962,045 |
| Court reporters and interpreters | 11,953 |
| Jury meals and transportation | 52,430 |
| | <hr/> |
| Total direct expenditures | 9,034,494 |

Indirect Expenditures

| | |
|---------------------------------------|------------|
| Books, printing and copying | 168,401 |
| Building and personnel security | 142,548 |
| Capital expenditures | 263,209 |
| Communication | 171,757 |
| Facilities | 44,737 |
| Furniture, equipment, and maintenance | 142,943 |
| Insurance | 152,820 |
| Office supplies and expenditures | 126,390 |
| Other expenditures | 13,713 |
| Postage and couriers | 37,213 |
| Professional education and dues | 90,221 |
| Professional services | 99,600 |
| | <hr/> |
| Total indirect expenditures | 1,453,552 |
| | <hr/> |
| Total expenditures | 10,488,046 |
| | <hr/> |
| Net change in fund balance | 1,820,677 |

Fund Balance

| | |
|-------------------|-------------|
| Beginning of year | 8,087,828 |
| | <hr/> |
| End of year | \$9,908,505 |
| | <hr/> |

+ Filing fees reported net of Orleans Parish Clerk of Court's share

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

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

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

| | |
|---|----------------------------|
| Net change in fund balance | \$ 1,820,677 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | |
| Depreciation | (166,906) |
| Capital expenditures | 263,209 |
| Loss on disposal of assets | (4,240) |
| Net pension expense is reported in governmental funds as expenditures as they are paid, however, in the Statement of Activities the net pension expense is reported according to estimates required by GASB 68: | |
| Change in deferred outflows of resources | 883,343 |
| Change in deferred inflows of resources | 105,843 |
| Change in net pension liability | (1,114,999) |
| Long-term liabilities: | |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund: | |
| Change in deferred outflows of resources | (13,128) |
| Change in deferred inflows of resources | (498,943) |
| Net change in other postemployment benefit obligations | 205,632 |
| Net change in other non-current liabilities not due or payable in the current period | 63,374 |
| Change in net deficit | <u><u>\$ 1,543,862</u></u> |

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

STATEMENT OF FIDUCIARY FUNDS - AGENCY FUNDS -
CLERK OF FIRST CITY COURT AND CLERK OF SECOND CITY COURT

Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
 New Orleans, Louisiana

December 31, 2018

| | Clerk of the First City Court For The Parish of Orleans | | | Clerk of the Second City Court For The Parish of Orleans | | |
|-------------------------------------|--|--------------------------------|------------------|---|--------------------------------|-----------------|
| | Registry of Court Fund | Garnishment Deposit Fund | Totals | Registry of Court Fund | Garnishment Deposit Fund | Totals |
| Assets | | | | | | |
| Cash and cash equivalents | <u>\$553,048</u> | <u>\$325,975</u> | <u>\$879,023</u> | <u>\$35,730</u> | <u>\$43,714</u> | <u>\$79,444</u> |
| Liabilities and Net Position | | | | | | |
| Undistributed interest | \$123,903 | \$ 13,379 | \$137,282 | \$35,730 | \$43,714 | \$79,444 |
| Due to litigants and others | <u>429,145</u> | <u>312,596</u> | <u>741,741</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>\$553,048</u> | <u>\$325,975</u> | <u>\$879,023</u> | <u>\$35,730</u> | <u>\$43,714</u> | <u>\$79,444</u> |

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

STATEMENT OF FIDUCIARY FUNDS - AGENCY FUNDS -
CLERK OF CIVIL DISTRICT COURT

Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana

December 31, 2018

| | Clerk of Civil District Court For The Parish of Orleans | | | | | | | |
|------------------------------|---|--------------|-------------|---------------|--------------|-----------------|-------------------|--------------|
| | Registry Fund | Appeals Fund | Jury Fund | Title II Fund | Savings Fund | Petty Cash Fund | Domestic Fee Fund | Totals |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$39,544,865 | \$2,779,386 | \$6,863,536 | \$3,982 | \$3,387 | \$25,086 | \$11,745 | \$49,231,987 |
| Liabilities and Net Position | | | | | | | | |
| Unsettled deposits | \$ - | \$ - | \$ - | \$3,982 | \$3,387 | \$25,086 | \$11,745 | \$ 44,200 |
| Due to other governments | 68,976 | - | - | - | - | - | - | 68,976 |
| Pre 1990 litigant deposit | - | 41,456 | - | - | - | - | - | 41,456 |
| Interest to be allocated | - | 313,490 | 673,685 | - | - | - | - | 987,175 |
| Due to litigants and others | 39,475,889 | 2,424,440 | 6,189,851 | - | - | - | - | 48,090,180 |
| Total liabilities | \$39,544,865 | \$2,779,386 | \$6,863,536 | \$3,982 | \$3,387 | \$25,086 | \$11,745 | \$49,231,987 |

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

NOTES TO FINANCIAL STATEMENTS

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

December 31, 2019

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") is designated by the LSA-R.S. 13:1312 as the managing entity for fiscal operations of the Civil District Court and the Clerks of the First and Second City Courts of the City of New Orleans.

The Judges of the Civil District Court for the Parish of Orleans and the judges of the First and Second City Courts of the City of New Orleans, sitting *En Banc* as set forth in LSA-R.S. 13:1312 have sole responsibility and oversight for the Judicial Expense Fund. The responsibility and oversight includes control over all revenues deposited into the Judicial Expense Fund by the aforementioned courts and offices, all disbursements made by the Judicial Expense Fund, the setting of all fees charged by the courts and offices comprising the Judicial Expense Fund, and the determination of expenditures related to the operations of such courts and offices.

The accounting policies of the Judicial Expense Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental agencies. The following is a summary of the more significant accounting policies.

a. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*", as subsequently amended by GASB Statement No. 39 "*The Financial Reporting Entity*", established standards for defining and reporting on the financial entity. GASB Statement No. 14 indicates the focal point for identifying the financial reporting entity is the primary government, which is considered to any state government or general purpose local government, or a special purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

On June 23, 2006, the Louisiana State Legislature enacted Act 621 of the Louisiana 2006 regular session to create the 41st Judicial District Court. Included in the provisions for the Act was the collection and allocation of fees to the Judicial Expense Fund and the Clerk of Civil District Court's Salary Fund. Specifically, the Act provides for the collection of fees and the deposit of a minimum of 50% of those funds in the Clerk of the Civil District Court (the "Clerk") and the balance with the Judicial Expense Fund.

Management of the Judicial Expense Fund has determined that the Clerk of Civil District Court's Salary Fund is not a component unit of the Judicial Expense Fund because in management's opinion, it has a separately elected governing body; legally separate; and is fiscally independent of the Judicial Expense Fund.

As previously discussed, state statute established the Judicial Expense Fund as the managing entity for fiscal operations of the Judicial Expense Fund which is separate and independent of any other governmental "reporting entity" as defined by GASB Statement Nos. 14 and 39.

In addition, the Judicial Expense Fund is financially independent of other governments. Although the Judicial Expense Fund conducts its business from a building provided by the City of New Orleans, as discussed in Note 4, this support is considered incidental in relation to the Judicial Expense Fund's total revenues and expenditures, and in view of the additions and improvements made to this building by the Judicial Expense Fund from its operating revenues over the term of its occupancy, which totaled \$4,320,901 through the year ended December 31, 2019. Building additions and improvements made for the year ended December 31, 2019 amounted to \$47,094 and are included in the accompanying financial statements of the Judicial Expense Fund.

Accordingly, management has concluded that the Judicial Expense Fund is the financial reporting entity and has no component units within the provisions of GASB Statement Nos. 14 and 39.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus and Basis of Accounting

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position (Deficit) and the Statement of Activities) report information on all activities of the Judicial Expense Fund. The Judicial Expense Fund is considered to be a governmental activity of a special-purpose government.

The Judicial Expense Fund's Statement of Activities demonstrates the degree to which the expenses of a given function are offset by function revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect costs are included in expenses reported by function. Program revenues include filing fees and operating grants.

The Judicial Expense Fund's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Separate financial statements are provided for the Judicial Expense Fund's governmental fund.

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

The Judicial Expense Fund reports its governmental fund as follows:

General Fund

The General Fund is used to account for all financial resources of the Judicial Expense Fund.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus and Basis of Accounting (Continued)

Government-wide and Fund Financial Statements (Continued)

General Fund (Continued)

The operations of the General Fund are comprised of the General Fund's assets, liabilities, fund balance, revenues and expenditures, as related to the fiscal operations of the Clerks of Civil District Court, First City Court, and Second City Court.

Pursuant to the requirements of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", fund balance is reported as nonspendable and unassigned. The nonspendable classification is associated with amounts considered nonspendable such as prepaid assets. The unassigned classification represents amounts not restricted or committed.

Salaries of the judges of the Civil District Court, which are paid directly by the Supreme Court of Louisiana, are not included in the financial statements presented herein since such salaries are earned by the respective judges for serving in their capacities as state judges and not for compensation in their roles as management of the Judicial Expense Fund.

The judges receive no compensation for serving in their capacity as Judges *En Banc* of the Judicial Expense Fund for the Parish of Orleans.

Additionally, the Judicial Expense Fund has no authority in the determination of these salary amounts or the duties of these individuals in their capacities as state judges. For the same reasons, certain expenditures which are incurred by these judges and paid directly by the Supreme Court of Louisiana are also excluded from these financial statements. Also, salaries of the judges of the First and Second City Courts are paid jointly by the Supreme Court of Louisiana and the Judicial Expense Fund (pursuant to LSA-R.S. 13-2152). For the year ended December 31, 2019, the Judicial Expense Fund paid \$105,862 each to three (3) City Judges. The fourth City Judge passed away in 2019 was paid \$92,973. The total paid for all City Court Judges' salaries was \$410,559.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Use of Estimates

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

d. Budgets and Budgetary Accounting

As required by the Louisiana Revised Statutes 39:1303, the Judicial Expense Fund adopted a budget for its General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings of the budget prior to adoption. The budget was amended once during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The Judges *En Banc* at a public meeting on December 4, 2018, adopted a budget for the fiscal year ended December 31, 2019. The budget was not amended during the year.

e. Receivables

The financial statements of the Judicial Expense Fund contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectability of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the fund.

f. Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Additional Operating Expenses

It is the Judicial Expense Fund's policy to limit expenditures by each division of the Court for additional operating expenditures. Such expenditures may be made at the discretion of each presiding judge in accordance with specific guidelines established by the Judicial Expense Fund as to the purpose for which these expenditures may be used and only for such expenditures supported by proper documentation.

The specific guidelines established by the Judicial Expense Fund permit use of such amounts for expenditures directly associated with or incidental to legal or judicial matters and functions. These expenditures are included in the General Fund of the accompanying financial statements of the Judicial Expense Fund.

h. Capital Assets

Capital assets which include computer equipment and software, office equipment, furniture and fixtures and leasehold improvements are reported in governmental activities in the government-wide financial statements.

The Judicial Expense Fund's capitalization policy requires that all single assets costing \$1,500 or greater to be capitalized and depreciated over their useful lives. Single assets costing less than \$1,500 are expensed. All assets, regardless of cost, are tracked. The straight-line method of depreciation is used for all classes of capital assets, and the allocation of depreciation expense begins on the first day of the quarter in which the capital asset is purchased. Leasehold improvements are amortized over the lesser of their useful lives or lease period.

Based on its own experience, the Judicial Expense Fund established the following useful lives for each asset class:

| <u>Asset Class</u> | <u>Estimated Useful Lives in Years</u> |
|------------------------|--|
| Computer equipment | 5 |
| Computer software | 5 |
| Office equipment | 5 |
| Furniture and fixtures | 10 |
| Leasehold improvements | 3 |

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets (Continued)

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life is not capitalized.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Judicial Expense Fund reports deferred outflows of resources related to other postemployment benefits and pensions.

In addition to liabilities, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Judicial Expense Fund reports deferred inflows of resources related to other postemployment benefits and pensions.

j. Pensions

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

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Equity

Government-wide Statements

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation reduced by the balance of outstanding debt attributable to the acquisition of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets".

When both restricted and unrestricted resources are available for use, it is the Judicial Expense Fund's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2019 and for the year then ended, the Judicial Expense Fund did not have or receive restricted net assets.

Fund Financial Statements

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for a specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments. There was no restricted equity as of December 31, 2019.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Equity (Continued)

Fund Financial Statements (Continued)

Committed - amounts that can be used only for specific purposes determined by a formal decision of the Judicial Expense Fund. There was no committed equity as of December 31, 2019.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for a specific purposes. There was no assigned equity as of December 31, 2019.

Unassigned - all other amounts not included in other spendable classifications.

For classification of governmental fund balances, the Judicial Expense Fund considers an expenditure to be made from the most restrictive first when more than one classification is available. The Judicial Expense Fund's fund balance as of December 31, 2019 totaled \$9,908,505 of which \$9,824,290 was classified as unassigned and \$84,215 was classified as nonspendable as this balance related to prepaid expenses.

l. Governmental Accounting Standards Board Statements Nos. 68 and 71

The Judicial Expense Fund adopted GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions - An amendment to GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment to GASB Statement No. 68"*. The adoption of GASB Statement Nos. 68 and 71 required significant changes to the financial statements of the Judicial Expense Fund's government-wide financial statements. The principal objective of these statements is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees, both active and inactive are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events in the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between government's inflow of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective is to improve the information provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. New GASB Statements

During the year ended December 31, 2019, the Judicial Expense Fund implemented the following GASB Statements.

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods after June 15, 2019. This statement did not affect the Judicial Expense Fund's financial statement.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity; and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. This statement did not affect the Judicial Expense Fund's financial statement.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. New GASB Statements (Continued)

Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 30, 2019. This statement did not affect the Judicial Expense Fund's financial statement.

Statement No. 90, "*Majority Equity Interest*" improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and therefore, the government should report that organization as a component unit. This statement did not affect the Judicial Expense Fund's financial statement.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. New GASB Statements (Continued)

The GASB has issued the following statements which will become effective in the future years below:

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby, enhancing the relevance and consistency of information about governments leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the effect of this statement on the financial statements.

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

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. New GASB Statements (Continued)

Statement No. 91, "*Conduit Debt Obligation*" provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 92, "*Omnibus 2020*" establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement apply to all financial statements of all state and local governments at dates varying from upon issuance to fiscal periods beginning after June 15, 2020.

Statement No. 93, "*Replacement of Interbank Offered Rates*" some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*", as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, "*Leases*", as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. New GASB Statements (Continued)

The exceptions to the existing provisions for hedge accounting termination and lease modifications in this statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The requirements of this statement will apply to reporting periods beginning after June 15, 2020, except for removal of LIBOR as an appropriate benchmark interest rate which is effective for reporting periods ending after December 31, 2021. Management has yet to determine the effect of this statement on the financial statements.

Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA "is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for years beginning after June 15, 2020. Management has yet to determine the effect of this statement on the financial statements.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Subsequent Events

The Judicial Expense Fund evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 19, 2020, which is the date the financial statements were available to be issued.

Note 2 - CASH

Cash includes amounts in demand deposit accounts.

As of December 31, 2019, the carrying amounts of the Judicial Expense Fund's deposits totaled \$9,720,669 and the bank balances totaled \$9,736,250. Of these amounts, \$250,000 was covered by federal depository insurance and the remainder collateralized by a pledge of securities in the joint name of the Judicial Expense Fund and the financial institution and held in safe-keeping by the Federal Reserve Bank of Boston and JP Morgan Chase which is deemed properly collateralized by state statute.

Custodial credit risk is the risk that, in the event of a failure by the financial institution, the Judicial Expense Fund's deposits may not be returned to it. The Judicial Expense Fund has a deposit policy for custodial credit risk. Nevertheless, none of the Judicial Expense Fund's bank balances were exposed to custodial credit risk, since the pledged securities were in the joint name of the Judicial Expense Fund and the financial institution and were held in safekeeping by the Federal Reserve Bank of Boston.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

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

Note 3 - ACCOUNTS RECEIVABLE

As of December 31, 2019, accounts receivable is as follows:

| | |
|-------------------------------------|-------------------------|
| Clerk's Salary Fund receivable, net | \$567,215 |
| Clerk's Benefit Fund receivable | 5,917 |
| Other | <u>22,460</u> |
| Total | <u><u>\$595,592</u></u> |

Note 4 - CAPITAL ASSETS

The following is a summary of capital assets for the year ended December 31, 2019:

| | Balance January 1, 2019 | Additions | Retirements | Balance December 31, 2019 |
|-----------------------------------|-------------------------------|------------------|-------------------|---------------------------------|
| Computer equipment | \$1,160,526 | \$ 31,570 | \$ (977,633) | \$ 214,463 |
| Computer software | 197,402 | 73,473 | (115,237) | 155,638 |
| Office equipment | 81,570 | 72,136 | - | 153,706 |
| Furniture and fixtures | 103,958 | 32,127 | - | 136,085 |
| Leasehold improvements | <u>317,688</u> | <u>53,903</u> | <u>(5,745)</u> | <u>365,846</u> |
| | 1,861,144 | 263,209 | (1,098,615) | 1,025,738 |
| Less: accumulated depreciation | <u>(1,429,107)</u> | <u>(166,906)</u> | <u>1,094,375</u> | <u>(501,638)</u> |
| Net | <u>\$ 432,037</u> | <u>\$ 96,303</u> | <u>\$ (4,240)</u> | <u>\$ 524,100</u> |

Depreciation expense charged to each function for the year ended December 31, 2019 is as follows:

| | |
|----------------------|-------------------------|
| Civil District Court | \$116,834 |
| First City Court | 43,396 |
| Second City Court | <u>6,676</u> |
| Total | <u><u>\$166,906</u></u> |

Note 4 - CAPITAL ASSETS (Continued)

An analysis of changes in accumulated depreciation and amortization by asset classification for the year ended December 31, 2019 is as follows:

| | Balance January 1, 2019 | Additions | Retirements | Balance December 31, 2019 |
|------------------------|-------------------------------|------------------|----------------------|---------------------------------|
| Computer equipment | \$1,021,986 | \$ 57,476 | \$ (972,685) | \$106,777 |
| Computer software | 134,448 | 31,128 | (120,453) | 45,123 |
| Office equipment | 80,519 | 4,408 | - | 84,927 |
| Furniture and fixtures | 77,291 | 9,587 | - | 86,878 |
| Leasehold improvements | 114,863 | 64,307 | (1,237) | 177,933 |
| Totals | <u>\$1,429,107</u> | <u>\$166,906</u> | <u>\$(1,094,375)</u> | <u>\$501,638</u> |

The building, which the Judicial Expense Fund occupies and uses to conduct its operations, is owned by the City of New Orleans. Although the Judicial Expense Fund does not pay rent to the City of New Orleans, the Judicial Expense Fund has made additions and improvements to the building during its term of occupancy. These additions and improvements are not included in the capital assets since the Judicial Expense Fund does not own the building. Such building additions and improvements funded from operations of the Judicial Expense Fund over its term of occupancy amount to \$4,320,901 through December 31, 2019. Building additions and improvements made for the year ended December 31, 2019 amounted to \$47,094 and are included in the accompanying financial statements of the Judicial Expense Fund.

Note 5 - REGISTRY OF COURT FUNDS

The Clerks of Civil District Court, First City Court and Second City Court each maintain a Registry of the Court Fund. Parties to litigation in these courts may deposit, or be ordered to deposit cash or property into these funds in connection with the related litigation. Cash or property so deposited is the property of the litigants and is to be returned or disbursed to such other parties as the court may direct upon the conclusion of the litigation.

The Clerk of Civil District Court, the Clerk of First City Court and the Clerk of Second City Court are the custodians of the Registry of Court Fund for each respective court. The clerks generally may only accept deposits into or disburse funds from the Registry of Court Fund by order of the respective court.

Note 5 - REGISTRY OF COURT FUNDS (Continued)

With respect to the Registry of Court Fund of the Civil District Court, LSA-R.S. 13:1305 authorizes the investment of these funds into interest-bearing accounts. The state also provides that one-half of the interest earned shall be credited to the litigants' deposits and one-half shall be remitted to the Judicial Expense Fund as reimbursement for administrative costs associated with the Registry of Court Fund. Interest earned and due to the Judicial Expense Fund as of December 31, 2019 amounted to \$84,752 and is included in the accompanying financial statements.

These funds are subject to an annual audit by independent auditors who issue a separate report thereon. The 2019 financial statements for the Clerk of Civil District Court, the Clerk of First City Court, and Clerk of Second City Court have been omitted from the required fund financial statements as they were not furnished at the time of the financial report issuance for the Judicial Expense Fund.

Note 6 - CHANGES IN NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2019.

| | Other Liabilities | Post- Employment Benefits | Net Pension Liability | Totals |
|------------------------|----------------------|---------------------------------|--------------------------|---------------------|
| Beginning of year | \$1,060,382 | \$7,552,229 | \$14,700,025 | \$23,312,636 |
| Additions | - | - | 2,329,925 | 2,329,925 |
| Retirements | (63,374) | (205,632) | (1,214,926) | (1,483,932) |
| End of year | <u>\$ 997,008</u> | <u>\$7,346,597</u> | <u>\$15,815,024</u> | <u>\$24,158,629</u> |
| Due within one year | <u>\$ 67,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 67,000</u> |

Note 7 - INTERGOVERNMENTAL MEMORANDUM OF UNDERSTANDING

On May 1, 2012, the Judicial Expense Fund and the Clerk of Civil District Court executed an agreement acknowledging that a net sum of \$1,435,540 representing sums collected by the Offices of Mortgages and Conveyances prior to January 1, 2009, should be transferred to the Clerk.

Note 7 - INTERGOVERNMENTAL MEMORANDUM OF UNDERSTANDING

It was further agreed that the Judicial Expense Fund will repay the amount due to the Clerk at a rate of 1% of the filing fee revenue received from the Clerk each month until the amount is paid in full. The Judges *En Banc* and the Clerk agreed that this agreement shall continue herein unless compliance with the law or a judicial order or judgment requires a different result.

The balance of this liability as of December 31, 2019 was \$997,008 and is included in other long-term liabilities.

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS

Plan Description

Employees of the Judicial Expense Fund may voluntarily participate in the State of Louisiana's health insurance plan which was established and may be amended by LSA-R.S. 17:1223 and which is administered by the Office of Group Benefits (OGB). The State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit OPEB Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Those employees of the Judicial Expense Fund who are plan members become eligible for postemployment medical and life insurance benefits if they reach normal retirement age while working for the Judicial Expense Fund. Currently, the Judicial Expense Fund provides postemployment benefits for retired employees. The OGB does not issue a publicly available financial report of the OPEB Plan; however it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/Pages/osrap/AFR_PAFR/cafr_pafr.aspx.

Funding Policy

The contribution requirements of plan members and the employers are established and may be amended by LSA-R.S. 42:801-883. Active employees do not contribute to their postemployment benefit cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits based on qualified years of service. The plan is currently financed on a pay-as-you-go method. Contribution amounts vary depending on what healthcare provider is selected from the plan and whether the member has Medicare coverage. For the year ended December 31, 2019, the Judicial Expense Fund contributed \$310,613 to the OPEB Plan.

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

| | |
|--|------------|
| Inactive employees currently receiving benefits payments | 55 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>89</u> |
| Total | <u>144</u> |

The Judicial Expense Fund's proportionate share of total OPEB liability was \$7,346,597 was measured as of December 31, 2019, and was determined by an actuarial valuation as of July 1, 2018. The District's proportion of the total OPEB was based on a projection of payments as benefits come due over the long term. As of July 1, 2019 the Judicial Expense Fund's proportional share of the total OPEB liability was 0.0861%, which was not significantly different than its proportion as of July 1, 2018.

Actuarial Assumptions and Other Inputs

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------------|---|
| Measurement date: | June 30, 2019 |
| Actuarial valuation date: | July 1, 2018 |
| Actuarial assumptions: | |
| Actuarial cost method: | Entry Age Normal |
| Discount rate: | The discount rate as of July 1, 2018 is 2.98% based on the June 29, 2018 S&P 20-year municipal bond index rate. |
| | The discount rate as of July 1, 2017 is 3.13% based on the June 30, 2017 S&P 20-year municipal bond index rate. |
| Inflation: | 2.80% |
| Salary increases: | Consistent with the pension valuation assumptions, see Note 9. |

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

Basis for Assumptions

We relied upon the pension plans covering the same participants for the retirement, termination, disability, and salary scale assumptions.

Mortality

For healthy lives: the RP-2014 Combined Healthy Mortality Table, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018.

For disabled retiree lives: the RP-2014 Disabled Retiree Mortality Table, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018.

Healthcare Cost Trend Rates

| <u>Year</u> | <u>Medical and Drug Pre-65</u> | <u>Medical and Drug Post-65</u> |
|-------------|------------------------------------|-------------------------------------|
| 2019-2020 | 7.00% | 5.50% |
| 2020-2021 | 6.75% | 5.25% |
| 2021-2022 | 6.50% | 5.00% |
| 2022-2023 | 6.25% | 4.75% |
| 2023-2024 | 6.00% | 4.50% |
| 2024-2025 | 5.75% | 4.50% |
| 2025-2026 | 5.50% | 4.50% |
| 2026-2027 | 5.25% | 4.50% |
| 2027-2028 | 5.00% | 4.50% |
| 2028-2029 | 4.75% | 4.50% |
| 2029+ | 4.50% | 4.50% |

Health Care Claim Cost

Per capita costs for the self-insured plans administered by BCBS were based on medical and prescription drug claims for retirement participants for the period January 1, 2017 through December 31, 2018. The claims experience was trended to the valuation date. The last two months of claims experience was adjusted for incurred but not reported claims using completion factors based on prior year data.

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

Health Care Claim Cost (Continued)

Per capita costs for the fully insured HMO and Medicare Advantage plans were based on calendar year 2019 premiums adjusted to the valuation date using the trend assumptions above.

Per capita costs were adjusted for expected age-related differences in morbidity applicable to retirees, except for costs for the Via Benefits HRA plan, which provides a flat monthly subsidy. Details regarding the Age Morbidity Curve are found under Age-related Morbidity assumptions below. The expected impact of the increase in Coverage Gap Brand Discounts from 50% to 70% in 2019 has been incorporated in the costs.

The table below indicates the assumed per capita costs normalized to male retiree age 65:

| Plan | Retirement Date | | | |
|----------------------------|----------------------|---------------|---------------------|---------------|
| | Before March 1, 2015 | | After March 1, 2015 | |
| | Without Medicare | With Medicare | Medicare | With Medicare |
| Medical Home HMO | \$17,442 | \$4,110 | \$16,912 | \$4,034 |
| People's MA HMO | N/A | \$2,323 | N/A | \$2,323 |
| Vantage MA HMO | N/A | \$2,155 | N/A | \$2,155 |
| Via Benefits HRA | N/A | \$2,400 | N/A | \$2,400 |
| BCBS Pelican HRA | \$12,106 | \$3,307 | \$12,106 | \$3,307 |
| BCBS Magnolica Local Plus | \$18,059 | \$3,719 | \$17,336 | \$3,621 |
| BCBS Magnolica Open Access | \$17,343 | \$3,322 | \$16,575 | \$3,250 |

Administrative Expenses

Included in medical and dental claim costs, 10% load for life insurance. The 10% load is consistent with industry standards and covers insurer administrative costs, premium taxes as well as insurer margin and profit.

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

Age Related Morbidity

Per capita costs are adjusted to reflect expected cost differences due to age and gender. Age morbidity factors for pre-Medicare morbidity were developed from "Health Care Costs - From Birth to Death" sponsored by the Society of Actuaries and prepared by Dale H. Yamamoto (May 2013). Mr. Yamamoto's study formed the basis of Medicare morbidity factors that are gender distinct and assumed a cost allocation of 60% for pharmacy, 20% for inpatient, 10% for outpatient, and 10% for professional services. Adjustments were made to factors for inpatient costs at age 70 and below to smooth out what appears to be a spike in utilization for Medicare retirees gaining healthcare for the first time through Medicare. While such retirees were included in the study, their specific experience is not applicable for a valuation of an employer retiree medical plan where participants had group active coverage before retirement.

Morbidity factors at sample ages are shown below:

| <u>Age</u> | <u>Male Factor</u> | <u>Female Factor</u> |
|------------|------------------------|--------------------------|
| 50 | 0.4612 | 0.5736 |
| 55 | 0.6085 | 0.6667 |
| 60 | 0.7829 | 0.7791 |
| 65 | 1.0000 | 0.9438 |
| 70 | 1.1873 | 1.1094 |
| 75 | 1.2752 | 1.2009 |
| 80 | 1.3381 | 1.2697 |
| 85 | 1.3479 | 1.3171 |
| 90 | 1.3235 | 1.3303 |
| 95 | 1.3047 | 1.2765 |
| 100 | 1.2878 | 1.1701 |

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

| | |
|--|--------------------|
| Balance as of December 31, 2018 | <u>\$7,552,229</u> |
| Changes for the year: | |
| Service cost | 499,722 |
| Interest | 244,614 |
| Difference between expected and actual | (494,139) |
| Changes in assumptions | (276,969) |
| Benefit payments | <u>(178,860)</u> |
| Net change | <u>(205,632)</u> |
| Balance as of December 31, 2019 | <u>\$7,346,597</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Judicial Expense Fund, as well as what the Judicial Expense Fund's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.98%) or 1% higher (3.98%) than the current discount rate:

| | 1.0% Decrease (1.98%) | Current Discount Rate (2.98%) | 1.0% Increase (3.98%) |
|----------------------|-----------------------------|--|-----------------------------|
| Total OPEB liability | <u>\$8,587,267</u> | <u>\$7,346,597</u> | <u>\$6,044,728</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.

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

| | 1.0% Decrease | Current Trend Rate | 1.0% Increase |
|----------------------|--------------------|--------------------------|--------------------|
| Total OPEB liability | <u>\$6,113,012</u> | <u>\$7,346,597</u> | <u>\$8,723,991</u> |

Note 8 - OTHER POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

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

For the year ended December 31, 2019, the Judicial Expense Fund recognized an OPEB expense of \$668,407. As of December 31, 2019, the Judicial Expense Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in assumptions | <u>\$ -</u> | <u>\$(962,796)</u> |
| Benefit payments subsequent the measurement date | <u>\$384,995</u> | <u>\$ -</u> |

The Judicial Expense Fund reported \$384,995 as deferred outflows of resources related to the OPEB Plan resulting from benefit payments subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|--------------------|
| 2020 | \$(263,070) |
| 2021 | (263,070) |
| 2022 | (263,070) |
| 2023 | <u>(173,586)</u> |
| Total | <u>\$(962,796)</u> |

Note 9 - PENSION PLANS

Plan Description

The Judicial Expense Fund does not maintain a separate pension plan for its employees. However, its employees are eligible to participate in various multiple-employer (cost-sharing) defined benefit plans provided by the state government and substantially all of the Judicial Expense Fund's employees are covered by one of the available plans.

The respective plan benefits provisions are established and amended under the following statutes:

| <u>Plan</u> | <u>Louisiana Revised Statute</u> |
|---|----------------------------------|
| Louisiana State Employees' Retirement System - Employees | 11:401-542 Employees |
| Louisiana State Employees' Retirement System - Judges | 11:401-571 Judges |
| Louisiana Clerks' of Court Retirement and Relief Fund | 11:1501-1578 |
| Louisiana Sheriffs' Pension and Relief Fund | 11:2171-2184 |

Generally, eligibility to participate in one of the plans commences with full-time permanent employment and in some instances, is subject to certain age and earning requirements.

Vesting of full benefits is subject to various years of required service, generally ranging from twelve to thirty years and, in some instances, may require attainment of a minimum age.

Annual retirement benefits under the plans are generally stipulated as a percentage of the participant's defined annual compensation for each year of service. In certain instances, the resulting amount may be increased by a fixed amount. In most cases, annual retirement benefits may not exceed 100% of the participant's defined annual compensation.

Note 9 - PENSION PLANS (Continued)

The plans issue publicly available reports that include financial statements and required supplementary information. The reports may be obtained via contact as follows:

Louisiana State Employees' Retirement System
8401 United Plaza Blvd., 1st Floor
Baton Rouge, LA 70809-7017
Telephone: (800) 256-3000
Fax: (225) 935-2856
Website: lasersonline.org

Louisiana Clerks' of Court Retirement and Relief Fund
10202 Jefferson Highway, Building A
Baton Rouge, LA 70809
Telephone: (800) 256-6660
Fax: (225) 291-7859
Website: laclerksofcourt.org

Louisiana Sheriffs' Pension and Relief Fund
1225 Nicholson Dr.
Baton Rouge, LA 70802-7537
Telephone: (215) 219-0500
Fax: (225) 219-0521
Website: www.lsprf.com

Note 9 - PENSION PLANS (Continued)

Funding Policy

Under the terms of the various plans, employees contribute a specified percentage of their gross earnings and the Judicial Expense Fund also contributes a specified percentage. The plans in which the employees of the Judicial Expense Fund participate and the specified contribution percentages at December 31, 2019 are as follows:

| | Period | Contribution Employee (%) | Percentages Employer (%) |
|---|----------------------|---------------------------------|--------------------------------|
| Louisiana State Employees' Retirement System (LASERS) - Employees | January 1 - June 30 | 7.50 | 37.90 |
| | July 1 - December 31 | 7.50 | 40.00 |
| Employees hired after July 1, 2006 | January 1 - June 30 | 8.00 | 37.90 |
| Employees hired after July 1, 2006 | July 1 - December 31 | 8.00 | 40.70 |
| Louisiana State Employees' Retirement System (LASERS) - Judges | January 1 - June 30 | 11.50 | 40.10 |
| | July 1 - December 31 | 11.50 | 42.40 |
| Judges hired in 2010 and earlier | January 1 - June 30 | 13.00 | 39.00 |
| Judges hired in 2010 and earlier | July 1 - December 31 | 13.00 | 42.00 |
| Louisiana Clerks' Retirement and Relief Fund (LCRRF) | January 1 - June 30 | 8.25 | 19.00 |
| | July 1 - December 31 | 8.25 | 19.00 |
| Louisiana Sheriffs' Pension and Relief Fund (LSPRF) | January 1 - June 30 | 10.25 | 12.25 |
| | July 1 - December 31 | 10.25 | 12.25 |

The amounts of the most recently actuarially determined employer contribution as a percentage of covered compensation for each plan for the year ended 2019 amounted to:

| | |
|---|--------|
| LASERS Judges hired after 2010 | 41.25% |
| LASERS Judges hired in 2010 and earlier | 40.50% |
| LASERS all others | 39.30% |
| Clerks | 19.00% |
| Sheriffs | 12.25% |

Benefits granted by the retirement systems are guaranteed by the State of Louisiana. The Judicial Expense Fund does not guarantee the benefits granted by the retirement systems.

Note 9 - PENSION PLANS (Continued)

Funding Policy (Continued)

In accordance with LSA-R.S. 11:1563, if at any time monies in the State Fund are not sufficient to pay each retiree and beneficiary, the full amount to which he/she is entitled, equal percentages of the full amount shall be paid to each retiree and beneficiary until the fund is replenished so as to warrant resumption of the payment of the full amount to each retiree and beneficiary.

Louisiana State Employees' Retirement System (LASERS)

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

| | |
|---|---|
| Valuation date: | June 30, 2019 |
| Actuarial cost method: | Entry Age Normal |
| Actuarial assumptions: | |
| Expected remaining service lives | 2 years |
| Investment rate of return: | 7.60% per annum |
| Inflation rate: | 2.5% per annum |
| Mortality rates: | Non-disabled members-mortality rates based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. Disabled members-mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement. |
| Termination, disability, and retirement: | Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members for 2019. |

Note 9 - PENSION PLANS (Continued)

Louisiana State Employees' Retirement System (LASERS) (Continued)

Actuarial Methods and Assumptions (Continued)

Salary increases:

Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increases ranges for specific types of members are:

| Member Type | Lower Range | Upper Range |
|----------------|----------------|----------------|
| Regular | 3.20% | 13.00% |
| Judges | 2.80% | 5.30% |
| Corrections | 3.80% | 14.00% |
| Hazardous duty | 3.80% | 14.00% |
| Wildlife | 3.80% | 14.00% |

Cost of living adjustments:

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

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 weighing the expected future real rates of return to the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2019.

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Note 9 - PENSION PLANS (Continued)

Louisiana State Employees' Retirement System (LASERS) (Continued)

Actuarial Methods and Assumptions (Continued)

| <u>Asset Class</u> | <u>Target Allocation¹</u> | <u>Long Term Expected Rate of Return¹</u> |
|----------------------------|--|--|
| Cash | 0% | 0.24% |
| Domestic equity | 23% | 4.83% |
| International equity | 32% | 5.83% |
| Domestic fixed income | 6% | 2.79% |
| International fixed income | 10% | 4.49% |
| Alternative investments | 22% | 8.32% |
| Risk parity | <u>7%</u> | <u>5.06%</u> |
| Totals | <u>100%</u> | <u>6.09%</u> |

¹ For reference only: Target allocation is presented in LASER's 2019 Comprehensive Annual Financial Report, page 50 and the long-term expected rate of return on page 29.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%, the projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.60% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.60%) or one percentage-point higher (8.60%) than the current rate:

Note 9 - PENSION PLANS (Continued)

Louisiana State Employees' Retirement System (LASERS) (Continued)

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

| | 1.0% Decrease (6.60%) | Current Discount Rate (7.60%) | 1.0% Increase (8.60%) |
|---|-----------------------------|--|-----------------------------|
| Employer's Proportionate Share of the Net Pension Liability | <u>(\$17,487,634)</u> | <u>(\$13,880,093)</u> | <u>(\$10,787,896)</u> |

Pension Plan Fiduciary Net Position

Pension Plan Fiduciary Net Position

| | |
|----------------------------------|-------------------------|
| Total Pension Liability | \$ 19,527,612,295 |
| Plan Fiduciary Net Position | <u>12,282,698,991</u> |
| Employer's Net Pension Liability | <u>\$ 7,244,913,304</u> |

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2019 Comprehensive Annual Financial Report at www.lasersonline.org.

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2019 is as follows:

The net position liability was measured as the portions of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

Note 9 - PENSION PLANS (Continued)

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF)

Actuarial Methods and Assumptions (Continued)

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2019 is as follows:

| | |
|--|--|
| Valuation date: | June 30, 2019 |
| Actuarial cost method: | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 6.75%, net of investment expense, including inflation. |
| Projected salary increase: | 5.00% |
| Inflation rate: | 2.50% |
| Mortality rates: | RP-2000 Employee Table (set back 4 years for males and 3 years for females). RP-2000 Disabled Lives Mortality Table (set back 5 years for males and 3 years for females). RP-2000 Healthy Annuitant Table (set forward 1 year for males) and projected to 2030 using scale AA for males and females. |
| Expected remaining service lives: | 2019 - 5 years 2018 - 5 years 2017 - 5 years 2016 - 5 years 2015 - 5 years |
| Cost of living adjustments: | The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic. |

Note 9 - PENSION PLANS (Continued)

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF) (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (excepted returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return was 6.38% for the year ended June 30, 2019.

Note 9 - PENSION PLANS (Continued)

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF) (Continued)

Actuarial Methods and Assumptions (Continued)

The best estimates of geometric real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2019 is summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Returns</u> |
|----------------------|--|---|
| Fixed Income: | | |
| Domestic Bonds | 20.00% | 2.50% |
| International Bonds | 0.00% | 3.50% |
| Domestic Equity | 33.00% | 7.50% |
| International Equity | 27.00% | 8.50% |
| Real Estate | 10.00% | 4.50% |
| Hedge Funds | <u>10.00%</u> | 6.59% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension 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 will be made at the actuarially determine rates approved by the Board of Trustees and the Public Retirement System's Actuarial Committee (PRSAC) taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund'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.

Note 9 - PENSION PLANS (Continued)

Louisiana Clerks of Court Retirement and Relief Fund (LCRRF) (Continued)

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 6.75% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is percentage-point lower (5.75%) or percentage-point higher (7.75%) than the current rate:

| | 1.0% Decrease (5.75%) | Current Discount Rate (7.60%) | 1.0% Increase (7.75%) |
|---|-----------------------------|--|-----------------------------|
| Employer's proportionate Share of the Net Pension Liability | <u>(\$2,118,316)</u> | <u>(\$1,425,676)</u> | <u>(\$838,075)</u> |

Pension Plan Fiduciary Net Position

| | |
|----------------------------------|-----------------------|
| Total Pension Liability | \$ 822,803,946 |
| Plan Fiduciary Net Position | <u>(641,204,758)</u> |
| Employer's Net Pension Liability | <u>\$ 181,599,188</u> |

Louisiana Sheriffs' Pension and Relief Fund (LSPRF)

The Judicial Expense Fund was included as part of the Orleans Parish Criminal Sheriff's Office on the actuarial reports of the Louisiana Sheriffs' Pension and Relief Fund. The Judicial Expense Fund was not broken down or determined, but the amount of required employer contribution could be determined by multiplying the payroll by the actuarially determined rate of 12.25%. Therefore the following amounts are based upon the percentage of Judicial Expense Fund required employer contribution to the Orleans Parish Criminal Sheriff's required employer contribution.

Note 9 - PENSION PLANS (Continued)

Louisiana Sheriffs' Pension and Relief Fund (LSPRF) (Continued)

A summary of the actuarial methods and assumptions used to determine the total pension liability as of June 30, 2019 is as follows:

| | |
|--|--|
| Valuation date: | June 30, 2019 |
| Actuarial cost method: | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.10%, net of investment expense, including inflation. |
| Discount rate: | 7.10% |
| Projected salary increase: | 5.50% (2.30% inflation, 3.00% merit) |
| Mortality rates: | RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table for disabled annuitants. |
| Expected remaining service lives: | 2019 - 6 years 2018 - 6 years 2017 - 7 years 2016 - 7 years 2015 - 6 years 2014 - 6 years |
| Cost of living adjustments: | The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic. |

Note 9 - PENSION PLANS (Continued)

Louisiana Sheriffs' Pension and Relief Fund (LSPRF) (Continued)

The mortality rate assumptions were set after reviewing an experience study performed over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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

Estimates of arithmetic real rates of return for each major asset class based on the fund's target asset allocation as of June 30, 2019 were as follows:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Real Return Arithmetic Basis</u> | <u>Long-Term Expected Rate of Returns</u> |
|------------------------------------|--|---|---|
| Equity securities | 62% | 7.1% | 4.4% |
| Bonds | 23% | 3.0% | 0.7% |
| Alternative investments | <u>15%</u> | 4.6% | <u>0.6%</u> |
| Total | <u>100%</u> | | 5.7% |
| Inflation | | | <u>2.4%</u> |
| Expected arithmetic nominal return | | | <u>8.1%</u> |

Note 9 - PENSION PLANS (Continued)

Louisiana Sheriffs' Pension and Relief Fund (LSPRF) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from members will be made at the actuarially determined rates approved by the PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund'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 Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.10% as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.10%) or one percentage-point higher (8.10%) than the current rate:

| | 1.00% Decrease (6.10%) | Current Discount Rate (7.10%) | 1.00% Increase (8.10%) |
|---|------------------------------|--|------------------------------|
| Employer's Proportionate Share of the Net Pension Liability | <u>(\$1,064,931)</u> | <u>(\$509,255)</u> | <u>(\$41,604)</u> |

Pension Plan Fiduciary Net Position

| | |
|----------------------------------|------------------------|
| Total Pension Liability | \$4,264,735,402 |
| Plan Fiduciary Net Position | <u>(3,791,712,511)</u> |
| Employer's Net Pension Liability | <u>\$ 473,022,891</u> |

Note 9 - PENSION PLANS (Continued)

Louisiana Sheriffs' Pension and Relief Fund (LSPRF) (Continued)

Combined Balances:

Pension Liabilities

As of December 31, 2019, the Judicial Expense Fund reported a liability of \$15,815,024 or its proportionate share of the net pension liabilities. The net pension liability was measured as of June 30, 2019 for LASERS, LCRRF, and LSPRF. The total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Judicial Expense Fund's proportion of the net pension liability was based on a projection of the fund's long-term share of contributions to each pension plan relative to the projected contributions for all participating employers, actuarially determined. As of June 30, 2019, the Judicial Expense Fund's proportion of the LASERS net pension liability was .19125% which was an increase of .00223% from its proportionate share measured as of June 30, 2018. As of June 30, 2019, the Judicial Expense Fund's proportion of the LCRRF net pension liability was .78507% which was an decrease of .03194% from its proportionate share measured as of June 30, 2018. As of June 30, 2019, the Judicial Expense Fund's proportion of the LSPRF net pension liability was .107660% which was a decrease of .004252% from its proportionate share measured as of June 30, 2018.

Pension Expense

The Judicial Expense Fund recognized a pension expense of \$1,997,168 for the year ended December 31, 2019.

Note 9 - PENSION PLANS (Continued)

Louisiana Sheriffs' Pension and Relief Fund (LSPRF) (Continued)

Combined Balances: (Continued)

Pension Expense (Continued)

The Judicial Expense Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 125,109 | \$(126,354) |
| Change of assumptions | 365,498 | - |
| Net difference between projected and actual earnings on pension plan investments | 607,473 | - |
| Changes in proportion and differences between contributions and proportionate share of contribution | 1,380,674 | (189,652) |
| Contributions subsequent to the measurement date | <u>1,058,393</u> | <u>-</u> |
| | <u>\$3,537,147</u> | <u>\$(316,006)</u> |

The Judicial Expense Fund reported \$1,058,393 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|--------------------|
| 2020 | \$1,433,154 |
| 2021 | 257,747 |
| 2022 | 219,405 |
| 2023 | 237,377 |
| 2024 | <u>15,065</u> |
| Total | <u>\$2,162,748</u> |

Note 10 - CIVIL DISTRICT COURT FILING FEE REVENUE

Act 621 passed by the State of Louisiana Legislature and signed by the Governor of the State of Louisiana on June 23, 2006 requires the deposit of no less than fifty percent of the filing fees collect pursuant to LSA-R.S. 13:1213 into the Clerk's Salary Fund. The remaining filing fees collected by the Clerk are remitted to the Judicial Expense Fund.

Note 11 - OPERATING LEASES

The Judicial Expense Fund is committed under a lease for office equipment which expired in 2024. The lease is considered for accounting purposes to be an operating lease. Lease expense for the year ended December 31, 2019 was \$43,091.

Future minimum lease payments for this lease is as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|---------------|
| 2020 | \$42,293 |
| 2021 | \$42,293 |
| 2022 | \$42,293 |
| 2023 | \$42,293 |
| 2024 | \$14,098 |

Note 12 - RISK MANAGEMENT

The Judicial Expense Fund is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets for which the Judicial Expense Fund carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

For the year ended December 31, 2019, no insurance settlements exceeded the amount of insurance coverage.

Note 13 - CONCENTRATION OF CREDIT RISK

The Judicial Expense Fund's principal source of revenues consists of filing fees. If the amount of fees received falls below budgeted levels, the Judicial Expense Fund's operating results could be adversely affected.

Note 14 - NET DEFICIT

For the year ended December 31, 2019, the Judicial Expense Fund had a decrease in net deficit of \$1,543,862. The impact of the implementation of GASB Nos. 68, 71, and 75 has resulted in a total net deficit of \$11,082,685. Management continues to work on its plan to ensure a positive trend in its changes in net position (deficit).

Note 15 - SUBSEQUENT EVENT

The recent global outbreak of the Coronavirus (COVID-19) has raised concerns regarding business and the financial markets have recently experienced significant volatility. While Judicial Expense Fund has not been immediately impacted by the adverse conditions in the financial markets, the long term impact on Judicial Expense Fund's operations is uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES AND
EXPENDITURES BUDGETED AND ACTUAL**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

| | Original and Final Budgeted Amounts | Actual Amounts | Variance Favorable (Unfavorable) |
|---|---|--------------------|--|
| Revenues | | | |
| Filing fees, net | \$8,833,635 | \$9,045,023 | \$211,388 |
| Interest income | 200,000 | 177,851 | (22,149) |
| Domestic support | 250,000 | 243,969 | (6,031) |
| Other income | <u>2,525,000</u> | <u>2,841,880</u> | <u>316,880</u> |
| Total revenues | <u>11,808,635</u> | <u>12,308,723</u> | <u>500,088</u> |
| Expenditures | | | |
| Direct expenses: | | | |
| Salaries | 6,109,087 | 6,008,066 | 101,021 |
| Employee benefits | 3,194,806 | 2,962,045 | 232,761 |
| Court reporters and interpreters | 12,834 | 11,953 | 881 |
| Jury meals and transportation | <u>56,344</u> | <u>52,430</u> | <u>3,914</u> |
| Total direct expenses | <u>9,373,071</u> | <u>9,034,494</u> | <u>338,577</u> |
| Indirect expenses: | | | |
| Books, printing, and copying | 178,350 | 168,401 | 9,949 |
| Building and personnel security | 138,535 | 142,548 | (4,013) |
| Capital expenditures | 300,000 | 263,209 | 36,791 |
| Communication | 143,334 | 171,757 | (28,423) |
| Facilities | 39,882 | 44,737 | (4,855) |
| Furniture, equipment, and maintenance | 336,975 | 142,943 | 194,032 |
| Insurance | 138,334 | 152,820 | (14,486) |
| Office supplies and expenses | 147,204 | 126,390 | 20,814 |
| Other expenditures | 9,917 | 13,713 | (3,796) |
| Postage and couriers | 26,090 | 37,213 | (11,123) |
| Professional education and dues | 51,906 | 90,221 | (38,315) |
| Professional services | <u>104,050</u> | <u>99,600</u> | <u>4,450</u> |
| Total indirect expenses | <u>1,614,577</u> | <u>1,453,552</u> | <u>161,025</u> |
| Total expenditures | <u>10,987,648</u> | <u>10,488,046</u> | <u>499,602</u> |
| Excess of Revenues Over Expenditures | <u>\$ 820,987</u> | <u>\$1,820,677</u> | <u>\$999,690</u> |

**NOTE TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

December 31, 2019

The Judicial Expense Fund adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

Budgetary Information

Preparation of the adopted budget begins in the Fiscal Administration Office of the Judicial Administrator. The Chief Accountant compiles actual financial information from the previous year for each department of the Judicial Expense Fund. Department heads and judges provide their input and a proposed budget is prepared on the accrual basis of accounting. The budget adopted is consistent with accounting principles generally accepted in the United States of America.

Once the preliminary budget is prepared, it is presented and discussed by the Finance Committee. Once the Finance Committee approves the budget, the Judicial Expense Fund publishes notice of the budget in the Times-Picayune, the official journal of New Orleans. The public is invited to inspect and comment on the proposed budget. The budget is subsequently adopted by the Judges *En Banc* at a meeting open to the public.

Once the budget is adopted, the Fiscal Administration Office compares actual revenue and expenditures to the budget throughout the year. When circumstances warrant it, the Chief Accountant and Judicial Administrator will prepare an amended budget and present it to the Finance Committee. If the Finance Committee approves their amended budget, it will recommend it to the Judges *En Banc*. There will be a public announcement, public inspection period and an amended budget will be adopted at an open meeting.

For the year ended December 31, 2019, for the Judicial Expense Fund, the proposed original budget was advertised in The Advocate on November 2, 2018, November 7, 2018 and November 9, 2018. It was available for public inspection and comment on November 19, 2018, November 20, 2018 and November 21, 2018 and was legally adopted at an open meeting of the Judges *En Banc* on December 4, 2018. The budget was not amended during the year.

**SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

| | <u>LASERS</u> | <u>LCFFR</u> | <u>LSPRF</u> |
|---|---------------------|--------------------|------------------|
| 2019 | | | |
| Proportion of the net pension liability | <u>0.19125%</u> | <u>0.78507%</u> | <u>0.107660%</u> |
| Proportionate share of the net pension liability | <u>\$13,880,093</u> | <u>\$1,425,676</u> | <u>\$509,255</u> |
| Covered-employee payroll | <u>\$3,670,602</u> | <u>\$1,332,081</u> | <u>\$754,309</u> |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>378.14%</u> | <u>107.03%</u> | <u>67.51%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>62.90%</u> | <u>77.93%</u> | <u>88.91%</u> |
| 2018 | | | |
| Proportion of the net pension liability | <u>0.18902%</u> | <u>0.81701%</u> | <u>0.111912%</u> |
| Proportionate share of the net pension liability | <u>\$12,911,946</u> | <u>\$1,358,936</u> | <u>\$429,143</u> |
| Covered-employee payroll | <u>\$3,409,854</u> | <u>\$1,398,212</u> | <u>\$755,071</u> |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>378.67%</u> | <u>97.19%</u> | <u>56.83%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>64.30%</u> | <u>79.07%</u> | <u>90.41%</u> |
| 2017 | | | |
| Proportion of the net pension liability | <u>0.18080%</u> | <u>0.80356%</u> | <u>0.112793%</u> |
| Proportionate share of the net pension liability | <u>\$12,725,570</u> | <u>\$1,219,024</u> | <u>\$485,711</u> |
| Covered-employee payroll | <u>\$3,151,074</u> | <u>\$1,372,459</u> | <u>\$781,266</u> |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>403.85%</u> | <u>88.82%</u> | <u>62.17%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>62.50%</u> | <u>79.69%</u> | <u>88.49%</u> |

**Schedule 3
(Continued)**

| | <u>LASERS</u> | <u>LCFFR</u> | <u>LSPRF</u> |
|--|---------------------|--------------------|--------------------|
| 2016 | | | |
| Proportion of the net pension liability | <u>0.17493%</u> | <u>0.78426%</u> | <u>0.83882%</u> |
| Proportionate share of the net pension liability | <u>\$13,736,312</u> | <u>\$1,450,857</u> | <u>\$5,323,905</u> |
| Covered-employee payroll | <u>\$3,177,285</u> | <u>\$1,359,593</u> | <u>\$787,702</u> |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>432.33%</u> | <u>106.71%</u> | <u>675.88%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>57.70%</u> | <u>74.17%</u> | <u>82.10%</u> |
| 2015 | | | |
| Proportion of the net pension liability | <u>0.16974%</u> | <u>0.81525%</u> | <u>0.71673%</u> |
| Proportionate share of the net pension liability | <u>\$11,544,912</u> | <u>\$1,222,893</u> | <u>\$497,458</u> |
| Covered-employee payroll | <u>\$3,149,042</u> | <u>\$1,486,554</u> | <u>\$677,097</u> |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>27.28%</u> | <u>121.56%</u> | <u>136.11%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>62.70%</u> | <u>78.13%</u> | <u>86.61%</u> |

This schedule is provided beginning with the Judicial Expense Fund's year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

| | <u>LASERS</u> | <u>LCFFR</u> | <u>LSPRF</u> |
|---|--------------------|--------------------|------------------|
| 2019 | | | |
| Contractually required contributions | \$ 1,398,245 | \$ 252,869 | \$ 92,157 |
| Contributions in relation to the contractually required contribution | <u>(1,398,245)</u> | <u>(252,869)</u> | <u>(92,157)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$3,788,102</u> | <u>\$1,315,065</u> | <u>\$772,543</u> |
| Contributions as a percentage of covered - employee payroll | <u>36.91%</u> | <u>19.23%</u> | <u>11.93%</u> |
| 2018 | | | |
| Contractually required contributions | \$ 1,300,405 | \$ 246,832 | \$ 98,208 |
| Contributions in relation to the contractually required contribution | <u>(1,300,405)</u> | <u>(246,832)</u> | <u>(98,208)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$3,507,755</u> | <u>\$1,361,160</u> | <u>\$751,920</u> |
| Contributions as a percentage of covered - employee payroll | <u>37.07%</u> | <u>18.13%</u> | <u>13.06%</u> |
| 2017 | | | |
| Contractually required contributions | \$ 1,134,441 | \$ 261,089 | \$ 103,517 |
| Contributions in relation to the contractually required contribution | <u>(1,134,441)</u> | <u>(261,089)</u> | <u>(103,517)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$3,228,346</u> | <u>\$1,397,173</u> | <u>\$755,072</u> |
| Contributions as a percentage of covered - employee payroll | <u>35.14%</u> | <u>18.69%</u> | <u>13.71%</u> |

**Schedule 4
(Continued)**

| | <u>LASERS</u> | <u>LCFFR</u> | <u>LSPRF</u> |
|--|---------------------|---------------------|-------------------|
| 2016 | | | |
| Contractually required contributions | \$ 1,185,999 | \$ 258,323 | \$ 109,494 |
| Contributions in relation to the contractually required contribution | <u>(1,185,999)</u> | <u>(258,323)</u> | <u>(109,494)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$ 3,193,674</u> | <u>\$ 1,366,760</u> | <u>\$ 796,312</u> |
| Contributions as a percentage of covered - employee payroll | <u>37.14%</u> | <u>18.90%</u> | <u>13.75%</u> |
| 2015 | | | |
| Contractually required contributions | \$ 1,171,627 | \$ 281,821 | \$ 96,487 |
| Contributions in relation to the contractually required contribution | <u>(1,171,627)</u> | <u>(281,821)</u> | <u>(96,487)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$ 3,180,512</u> | <u>\$ 1,366,562</u> | <u>\$ 755,335</u> |
| Contributions as a percentage of covered - employee payroll | <u>36.84%</u> | <u>20.62%</u> | <u>12.77%</u> |

This schedule is provided beginning with the Judicial Expense Fund's year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**NOTES TO REQUIRED PENSION
SUPPLEMENTARY INFORMATION**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

- Note 1 -** The amounts presented on the Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Pension Contributions have a measurement date of the previous fiscal year end.
- Note 2 -** GASB 68 requires the Schedule of Employer's Proportionate Share of Net Pension Liability show information for ten years. The Judicial Expense Fund implemented GASB 68 in its 2015 fiscal year therefore; additional years will be displayed as they become available in the future.

SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY AND RELATED RATIOS

Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana

For the year ended December 31, 2019

2019

| | |
|--|-------------------------|
| Total OPEB liability: | |
| Service cost | \$ 499,722 |
| Interest | 244,614 |
| Changes in assumptions and other inputs | (771,108) |
| Benefit payments | (178,860) |
| | <hr/> |
| Net change in total OPEB liability | (205,632) |
| Total OPEB liability - beginning | <hr/> 7,552,229 |
| Total OPEB liability - ending | <hr/> <hr/> \$7,346,597 |
| Covered payroll | <hr/> <hr/> \$3,914,034 |
| Total OPEB liability as a percentage of covered employee payroll | <hr/> <hr/> 187.70% |

2018

| | |
|--|-------------------------|
| Total OPEB liability: | |
| Service cost | \$ 549,356 |
| Interest | 216,683 |
| Changes in assumptions and other inputs | (568,325) |
| Benefit payments | (182,456) |
| | <hr/> |
| Net change in total OPEB liability | 15,258 |
| Total OPEB liability - beginning | <hr/> 7,536,971 |
| Total OPEB liability - ending | <hr/> <hr/> \$7,552,229 |
| Covered payroll | <hr/> <hr/> \$3,772,563 |
| Total OPEB liability as a percentage of covered employee payroll | <hr/> <hr/> 200.19% |

SCHEDULE OF REVENUES AND EXPENSES - BY LEDGER

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2018

| | Civil District Court | First City Court | Second City Court | Domestic Support | Totals |
|--|-------------------------|---------------------|----------------------|---------------------|--------------------|
| Revenues | | | | | |
| Filing fees, net | \$6,337,453 | \$2,352,768 | \$ 354,802 | \$ - | \$9,045,023 |
| Interest income | 124,498 | 46,242 | 7,111 | - | 177,851 |
| Other income | 2,064,629 | 675,375 | 101,875 | 243,969 | 3,085,848 |
| Total revenues | 8,526,580 | 3,074,385 | 463,788 | 243,969 | 12,308,722 |
| Expenses | | | | | |
| Direct expenses: | | | | | |
| Salaries | 3,066,792 | 1,868,418 | 407,500 | 665,356 | 6,008,066 |
| Employee benefits | 1,866,932 | 962,398 | 227,711 | 273,881 | 3,330,922 |
| Jury meals and transportation | 52,430 | - | - | - | 52,430 |
| Court reporters and interpreters | 9,710 | 755 | 1,216 | 272 | 11,953 |
| Total direct expenses | 4,995,864 | 2,831,571 | 636,427 | 939,509 | 9,403,371 |
| Indirect expenses: | | | | | |
| Books, printing, and copying | 126,984 | 36,314 | 5,103 | - | 168,401 |
| Building and personnel security | 99,778 | 37,068 | 5,702 | - | 142,548 |
| Communication | 148,749 | 19,940 | 3,068 | - | 171,757 |
| Depreciation | 116,834 | 43,396 | 6,676 | - | 166,906 |
| Facilities | 17,648 | 24,117 | 2,972 | - | 44,737 |
| Furniture, equipment, and maintenance | 102,419 | 38,859 | 5,905 | - | 147,183 |
| Insurance | 93,901 | 47,297 | 3,512 | 8,110 | 152,820 |
| Office supplies and expenses | 84,145 | 33,662 | 7,247 | 1,336 | 126,390 |
| Postage and couriers | 25,374 | 10,554 | 1,285 | - | 37,213 |
| Professional education and dues | 67,234 | 20,815 | 2,172 | - | 90,221 |
| Professional services | 64,667 | 23,385 | 11,548 | - | 99,600 |
| Other expenses | 106 | 13,602 | 5 | - | 13,713 |
| Total indirect expenses | 947,839 | 349,009 | 55,195 | 9,446 | 1,361,489 |
| Total expenses | 5,943,703 | 3,180,580 | 691,622 | 948,955 | 10,764,860 |
| Excess of Revenues Over Expenses (Expenses Over Revenues) | \$2,582,877 | \$ (106,195) | \$(227,834) | \$(704,986) | \$1,543,862 |

**STATEMENT OF CHANGES IN FIDUCIARY FUNDS - AGENCY FUNDS -
CLERK OF FIRST CITY COURT AND CLERK OF SECOND CITY COURT**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2018

| | Clerk of the First City Court For The Parish of Orleans | | | Clerk of the Second City Court For The Parish of Orleans | | |
|--|--|--------------------------------|------------------|---|--------------------------------|------------------|
| | Registry of Court Fund | Garnishment Deposit Fund | Totals | Registry of Court Fund | Garnishment Deposit Fund | Totals |
| Additions | | | | | | |
| Court costs, charges, and fees collected | \$ - | \$ - | \$ - | \$386,659 | \$ - | \$386,659 |
| Interest earnings | 640 | 826 | 1,466 | 19 | 499 | 518 |
| Collections on behalf of litigants or upon court order | 90,769 | 14,535 | 105,304 | - | - | - |
| Other | - | - | - | - | 1,785 | 1,785 |
| Total additions | <u>91,409</u> | <u>15,361</u> | <u>106,770</u> | <u>386,678</u> | <u>2,284</u> | <u>388,962</u> |
| Reductions | | | | | | |
| Fees, court costs, charges and interest earnings distributed to Judicial Expense Fund | - | - | - | 392,164 | - | 392,164 |
| Payments to litigants or upon court order | 64,636 | 1,440 | 66,076 | 8,213 | - | 8,213 |
| Transfers to capital improvement fund | 457 | 820 | 1,277 | - | - | - |
| Other reductions | - | - | - | - | - | - |
| Total reductions | <u>65,093</u> | <u>2,260</u> | <u>67,353</u> | <u>400,377</u> | <u>-</u> | <u>400,377</u> |
| Increase (decrease) | 26,316 | 13,101 | 39,417 | (13,699) | 2,284 | (11,415) |
| Total Liabilities | | | | | | |
| Beginning of year | <u>299,659</u> | <u>539,947</u> | <u>839,606</u> | <u>49,429</u> | <u>41,430</u> | <u>90,859</u> |
| End of year | <u>\$325,975</u> | <u>\$553,048</u> | <u>\$879,023</u> | <u>\$ 35,730</u> | <u>\$43,714</u> | <u>\$ 79,444</u> |

STATEMENT OF CHANGES IN FIDUCIARY FUNDS - AGENCY FUNDS -
CLERK OF CIVIL DISTRICT COURT

Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
 New Orleans, Louisiana

For the year ended December 31, 2018

Clerk of Civil District Court For The Parish of Orleans

| | Registry Fund | Appeals Fund | Jury Fund | Title II Fund | Savings Fund | Petty Cash Fund | Domestic Fee Fund | Totals |
|--------------------------|------------------|-----------------|--------------|------------------|-----------------|-----------------------|-------------------------|--------------|
| Additions | | | | | | | | |
| Deposits | \$16,630,830 | \$ 314,036 | \$ 829,064 | \$ - | \$ - | \$ - | \$15,132 | \$17,789,062 |
| Interest earnings | 138,019 | 33,006 | 80,205 | - | 44 | 346 | 38 | 251,658 |
| Total additions | 16,768,849 | 347,042 | 909,269 | - | 44 | 346 | 15,170 | 18,040,720 |
| Reductions | | | | | | | | |
| Payments | 18,961,973 | 222,329 | 417,328 | - | - | - | 15,352 | 19,616,982 |
| Refunds | - | - | - | - | - | - | - | - |
| Total reductions | 18,961,973 | 222,329 | 417,328 | - | - | - | 15,352 | 19,616,982 |
| Increase (decrease) | (2,193,124) | 124,713 | 491,941 | - | 44 | 346 | (182) | (1,576,262) |
| Total Liabilities | | | | | | | | |
| Beginning of year | 41,737,989 | 2,654,673 | 6,371,595 | 3,982 | 3,343 | 24,740 | 11,927 | 50,808,249 |
| End of year | \$39,544,865 | \$2,779,386 | \$6,863,536 | \$3,982 | \$3,387 | \$25,086 | \$11,745 | \$49,231,987 |

SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO CHIEF JUDGE**

**Judicial Expense Fund for the
Civil District Court for the Parish of Orleans
New Orleans, Louisiana**

For the year ended December 31, 2019

Agency Head Name: Paulette R. Irons, Chief Judge

Purpose:

| | |
|--|------------------|
| Salary | \$ 0 |
| Benefits - insurance | 0 |
| Benefits - retirement | 0 |
| Benefits - other | 0 |
| Car allowance | 0 |
| Vehicle provided by government | 0 |
| Per diem | 0 |
| Reimbursements | 8,754 |
| Travel | 1,556 |
| Registration fees | 1,990 |
| Conference travel | 0 |
| Continuing professional education fees | 0 |
| Housing | 0 |
| Unvouchered expenses | 0 |
| Special meals | 0 |
| | <hr/> |
| | \$ 12,300 |

* The salary and related benefits for the Chief Judge is paid directly by the Supreme Court. As such, the judge receives no compensation for serving in her capacity on the En Banc.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Chief Paulette R. Irons,
The Judges En Banc of the Judicial Expense Fund for the Civil District Court
for the Parish of Orleans, The Supreme Court of the State of Louisiana,
Citizens of the Parish of Orleans, and the State of Louisiana,
New Orleans, Louisiana.

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 accompanying financial statements of the governmental activities and the major fund of the Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Judicial Expense Fund's basic financial statements, and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Judicial Expense Fund'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Judicial Expense Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

Judicial Expense Fund's Response to Findings

The Judicial Expense Fund's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Judicial Expense Fund's response was not subjected to auditing procedures applied in the audit of the financial statement and, accordingly we express no opinion on it.

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 Judicial Expense Fund'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.



Certified Public Accountants.

New Orleans, Louisiana,
June 19, 2020.

SCHEDULE OF FINDINGS AND RESPONSES

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☒ Yes ☐ No

b) Federal Awards

There were no finding noted during the audit for the year ended December 31, 2019 related to federal awards.

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2019 related to internal control over financial reporting.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements (Continued)

Compliance and Other Matters

2019-001 Compliance with State Public Bid Law

Criteria - Louisiana Revised Statute 38:2212 requires that all purchases of materials and supplies exceeding the sum of \$30,000 be advertised and awarded to the lowest responsible bidder who has bid accordingly to the specifications as advertised.

Condition - The contract for a copier lease and a digital recording system over \$30,000 was awarded to the lowest bidder through three phone quotes and not through advertisement and sealed bids.

Cause - The Judicial Expense Fund did not advertise for the purchase of materials over \$30,000 and they did not obtain three sealed bids.

Effect - The Judicial Expense Fund was not in compliance with Louisiana Revised Statute 38:2212.

Recommendation - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising and obtaining sealed bids for purchases of materials and supplies exceeding the sum of \$30,000.

Views of responsible officials of the auditee when there is a disagreement with the finding, to the extent practical - None.

Section III - Federal Award Findings and Questioned Costs

There were no finding noted during the audit for the year ended December 31, 2019 related to federal awards.

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

2018-001 Compliance with State Public Bid Laws

Recommendation - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising purchases of materials and supplies exceeding the sum of \$30,000.

Management's Corrective Action - (Unresolved) See 2019-001 The Judicial Expense Fund will institute policies to advertise purchases of materials and supplies exceeding the sum of \$30,000 in order to comply with Louisiana Revised Statute 38:2212.

Section II - Internal Control and Compliance Material to Federal Awards

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not expend federal awards in excess of \$750,000 during the year ended December 31, 2018 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

Judicial Expense Fund for the Civil District Court for the Parish of Orleans New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2019 related to internal control over financial reporting.

Compliance and Other Matters

2019-001 Compliance with State Public Bid Law

Recommendation - We recommend that the Judicial Expense Fund comply with the state public bid law by advertising and obtaining sealed bids for purchases of materials and supplies exceeding the sum of \$30,000.

Management's Corrective Action - The Judicial Expense Fund will institute policies to advertise purchases of materials and supplies exceeding the sum of \$30,000 in order to comply with Louisiana Revised Statute 38:2212.

Section II - Internal Control and Compliance Material to Federal Awards

Judicial Expense Fund for the Civil District Court for the Parish of Orleans did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit of the basic financial statements for the year ended December 31, 2019.

STATEWIDE AGREED-UPON PROCEDURES (R.S. 24:513)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners,
Civil District Court Parish of Orleans,
Judicial Court Building Commission,
New Orleans, Louisiana.

We have performed the procedures described below, which were agreed to by the Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the "Judicial Expense Fund") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2019. The Judicial Expense Fund's management is responsible for those C/C areas identified in the SAUPs.

This SAUPs engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described below:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address the following:
 - a. Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Performance: We obtained the Orleans Parish Civil District Court Technology Policies and Procedures Manual and the Business Continuity Plan. We note that these two documents address all points above.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Board or Finance Committee

2. Prior year testing resulted in no exceptions related to board or finance committee. Therefore, testing is not required in the current year.

Bank Reconciliations

3. Prior year testing resulted in no exceptions related to bank reconciliations. Therefore, testing is not required in the current year.

Collections

4. Prior year testing resulted in no exceptions related to collections. Therefore, testing is not required in the current year.

Non-Payroll Disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments)

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

Performance: We obtained the listing of locations that process payments and a representation from management that the listing is complete.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

6. For each location selected under #5 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, and observe that job duties are properly segregated such that:

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

Performance: We noted through inquiry of management that at least two employees are involved in making a purchase request, approving a purchase, and placing an order/making the purchase.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Non-Payroll Disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments) (Continued)

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

Performance: We noted through inquiry of management that at least two employees are involved in processing and approving payments to vendors.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

- 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.

Performance: We noted through inquiry of management that the employee responsible for processing payments also is responsible for adding/modifying vendor files. However, we noted that another employee is responsible for periodically reviewing changes to vendor files.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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

Performance: We noted through inquiry of management that the official responsible for signing checks gives the signed checks to an employee to mail who is responsible for processing payments.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

7. For each location selected under #5 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 five disbursements for each location, obtain supporting documentation for each transaction and:

Performance: We obtained the non-payroll disbursement transaction population (excluding cards and travel reimbursements) and a representation from management that the listing is complete.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Non-Payroll Disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments) (Continued)

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

Performance: We observed that the disbursement matched the related original invoice/billing statement for each of the five disbursements.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #6, as applicable.

Performance: We observed that the disbursement documentation included evidence of segregation of duties tested under #6, as applicable.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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

8. Prior year testing resulted in no exceptions related to credit cards/debit cards/ fuel cards/P-cards. Therefore, testing is not required in the current year.

Travel and Travel-Related Expense Reimbursements

9. Prior year testing resulted in no exceptions related to travel and travel-related expense reimbursements. Therefore, testing is not required in the current year.

Contracts

10. Prior year testing resulted in no exceptions related to contracts. Therefore, testing is not required in the current year.

Payroll and Personnel

11. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: We obtained a listing of employees/elected officials employed and management's representation that the listing is complete. We randomly selected five employees/officials and agreed paid salaries to authorized salaries in the personnel files.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

12. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #11 above, obtain attendance records and leave documentation for the pay period, and:

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

Performance: Four of the five employees/officials selected are salaried employees and attendance is not required to be tracked. We noted that one of the employees/officials selected was terminated before the pay period selected, therefore no attendance or leave was applicable for this employee.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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

Performance: We observed that supervisors approved the attendance and leave of four of the five employees/officials for the pay period selected. We noted that one of the employees/officials selected was terminated before the pay period selected, therefore no attendance or leave was applicable for this employee.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Payroll and Personnel (Continued)

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

Performance: We observed that no leave was taken for four of the five employees/officials during the pay period selected. We were unable to observe that leave was accrued for each of the five employees/officials, as the Judicial Expense Fund has a "use it or lose it" vacation policy where all leave is granted to employees on January 1 of each year. We noted that one of the employees/officials selected was terminated before the pay period selected, therefore no attendance or leave was applicable for this employee.

Exceptions: We were able to observe that leave was taken for one employee/official. We noted that one of the employees selected was terminated before the pay period selected, therefore no attendance or leave was applicable for this employee.

Management's response: Currently, the Judges track vacation days for their employees and the Judge signs a payroll certification every two weeks approving each employee's payroll. The Judges do not track when an employee is at work. By signing the payroll certification, the Judge is confirming the employee either was at work or took a vacation day during the pay period.

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

Performance: We obtained the listing of the employees/officials that received termination payments and a representation from management that the listing is complete. For two of the employees/officials that received termination pay, we obtained documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employees'/officials' cumulative leave records, and agreed the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Payroll and Personnel (Continued)

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

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

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Ethics

15. Prior year testing resulted in no exceptions related to ethics. Therefore, testing is not required in the current year.

Debt Service

16. Prior year testing resulted in no exceptions related to debt service. Therefore, testing is not required in the current year.

Other

17. Prior year testing resulted in no exceptions related to other. Therefore, testing is not required in the current year.

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

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 19, 2020.