

**CITY COURT OF HAMMOND
HAMMOND, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/11/09

City Court of Hammond
Hammond, Louisiana
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For Year Ended June 30, 2008

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA

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December 1, 2008

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the City Court of Hammond's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City Court of Hammond's management. Our responsibility is to express opinions on these financial statements based on our audit.

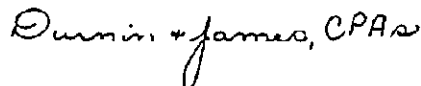
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the City Court of Hammond as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of City Court of Hammond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 *Governmental Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison schedule identified as Schedule 1 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Durnin & James, CPA's
(A Professional Corporation)

Management's Discussion and Analysis

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Introduction

As management of the City Court of Hammond ("City Court"), we offer readers of the City Court of Hammond's financial statements this narrative overview and analysis of the financial activities of the City Court of Hammond, for the fiscal year ended June 30, 2008. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City Court's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City Court finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City Court based on information presented in the financial report and fiscal policies that have been adopted by the City Court. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City Court's financial activity, identify changes in the City Court's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

Financial Highlights

- At June 30, 2008, the City Court's net assets exceeded its liabilities by \$1,060,927 (net assets). Of this amount, \$633,331 (unrestricted net assets) may be used to meet the City Court's ongoing obligations. This amount fell by \$27,981, or 4% from the prior year.
- For the year ended June 30, 2008 the City Court's total net assets increased by \$18,547, or 1.78% from the prior year.
- For the year ended June 30, 2008, the City Court's total revenues increased by \$100,193, or 5.81% from the prior year.
- For the year ended June 30, 2008, the City Court's total expenses increased by \$257,007, or 16.61% from the prior year.
- For the year ended June 30, 2008, the City Court's total liabilities decreased by \$19,737, or 20.07% from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City Court's financial statements. The City Court's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2008

Government-Wide Financial Statements

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

- A. The *statement of net assets* presents information on all of the City Court's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City Court is improving or weakening.
- B. The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

1. Government-Wide Financial Analysis

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

| | Governmental Activities | | | |
|----------------------------|-------------------------|---------------------|--------------------|----------|
| | 2008 | 2007 | \$ Change | % Change |
| Assets: | | | | |
| Current and Other Assets | \$ 996,085 | \$ 1,035,580 | \$ (39,495) | -3.81% |
| Capital Assets | 143,437 | 105,132 | 38,305 | 36.44% |
| Total Assets | <u>\$ 1,139,522</u> | <u>\$ 1,140,712</u> | <u>\$ (1,190)</u> | -0.10% |
| Liabilities: | | | | |
| Current Liabilities | \$ 15,350 | \$ 33,500 | \$ (18,150) | -54.18% |
| Long-Term Debt | 63,245 | 64,832 | (1,587) | -2.45% |
| Total Liabilities | <u>\$ 78,595</u> | <u>\$ 98,332</u> | <u>\$ (19,737)</u> | -20.07% |
| Net Assets: | | | | |
| Invested in Capital Assets | \$ 143,437 | \$ 105,132 | \$ 38,305 | 36.44% |
| Designated | 284,159 | 275,936 | 8,223 | 2.98% |
| Unrestricted | 633,331 | 661,312 | (27,981) | -4.23% |
| Total Net Assets | <u>\$ 1,060,927</u> | <u>\$ 1,042,380</u> | <u>\$ 18,547</u> | 1.78% |

The City Court's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,060,927 (net assets). Of this amount, \$633,331 are unrestricted net assets. The net assets increased by \$18,547, or 1.78%

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2008

from the prior year. This was caused primarily by revenues during the current fiscal year exceeding available expenditures resulting in an increase in net assets.

A portion of the City Court's net assets (13.51%) reflects its investment in capital assets (e.g., office equipment, office furniture and fixtures, etc.), less any outstanding debt used to acquire those assets. The City Court uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City Court's net assets (26.78%) represents resources that are designated for particular purposes. The remaining balance of unrestricted net assets (\$633,331) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

| | Governmental Activities | | | |
|--|-------------------------|---------------------|------------------|----------|
| | 2008 | 2007 | \$ Change | % Change |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 795,061 | \$ 837,829 | \$ (42,768) | -5.10% |
| Fees Earned | 82,124 | 78,057 | 4,067 | 5.21% |
| Operating Grants | 239,150 | 185,840 | 53,310 | 28.69% |
| General Revenues: | | | | |
| Contribution from City of Hammond | 491,653 | 480,000 | 11,653 | 2.43% |
| Other | 214,827 | 140,896 | 73,931 | 52.47% |
| Total Revenues | <u>1,822,815</u> | <u>1,722,622</u> | 100,193 | 5.82% |
| Expenses: | | | | |
| Salaries and Related Benefits | 1,341,545 | 1,100,079 | 241,466 | 21.95% |
| Operating and Other Charges | 438,913 | 380,698 | 58,215 | 15.29% |
| Depreciation | 23,810 | 66,484 | (42,674) | -64.19% |
| Total Expenses | <u>1,804,268</u> | <u>1,547,261</u> | <u>257,007</u> | 16.61% |
| Change in Net Assets | 18,547 | 175,361 | (156,814) | -89.42% |
| Net Assets: | | | | |
| Beginning of the Year, Originally Stated | 1,042,380 | 869,137 | 173,243 | 19.93% |
| Prior Period Adjustment | - | (2,118) | 2,118 | -100.00% |
| Beginning of the Year, Restated | <u>1,042,380</u> | <u>867,019</u> | <u>175,361</u> | 20.23% |
| End of the Year | <u>\$ 1,060,927</u> | <u>\$ 1,042,380</u> | <u>\$ 18,547</u> | 1.78% |

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2008

The City Court's revenue from charges for services decreased by \$42,768 or 5.10%. This is attributable to a decrease in fees collected for traffic violations and misdemeanor summons.

Operating grants for the City Court for the current year increased by \$53,310, or 28.69%. This is attributable to an increase in grants applied for and received.

Other general revenue for the City Court increased by \$73,931, or 52.47%. This is attributable to an increase in the amount of traffic citations and misdemeanor summons issued by Hammond Police Officers.

Salaries and related benefits increased by \$241,466, or 21.95%. This was due to hiring of new employees and increase in insurance premiums.

Governmental Activities

The Governmental Activity of the City Court includes Judicial Court. Court costs and contributions from the City of Hammond fund most of this governmental activity.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City Court, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City Court can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Note 1, Section E of this report.

The City Court maintains only one governmental fund, the General Fund. Information is presented on the General Fund on Exhibits A & B of this report.

**City Court of Hammond
Hammond, Louisiana**
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2008

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City Court's General Fund reported an ending fund balance of \$980,735.

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

The designated fund balance in the General Fund of \$284,159 indicates that these funds are dedicated for future capital outlay of \$206,812 and ad hoc judge fees of \$77,347.

Fiduciary Funds

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

3. Notes to the Financial Statements

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

4. Other Supplementary Information (Budgetary Highlights)

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

A. Budgetary Comparison Schedule – The City Court adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on Schedule I of this report.

B. Analysis of Significant Budget Variances in the General Fund:

I. Revenues:

- a. Revenues from grants decreased by \$11,915 over the amounts budgeted. This is due to grant revenue not being received in a timely manner.
- b. Revenues from on behalf payments by the State of Louisiana and Tangipahoa Parish Council increased by \$3,947 over the amounts originally budgeted. This is due to funds not being received in a timely manner.

City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2008

2. Expenditures:

- a. Salaries were favorably different from the amount budgeted by \$9,636. This variance was caused by a reduction in hours worked by a part-time employee.
- b. Payroll taxes and employee benefits were under budget by \$18,854. This is attributable to a decrease in the number of employees in the Juvenile Division.
- c. Juvenile Service Programs were under budget by \$1,572. This is attributable to a decrease in the number of programs they attended offered.

Capital Asset and Debt Administration

A. Capital Assets

The City Court's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$143,437 (net of accumulated depreciation). This investment in capital assets includes computer software, and office equipment and furniture. The total increase in the City Court's investment in capital assets for the current fiscal year is primarily due to the acquisition of new office equipment and furniture during the current year.

Major capital asset additions during the current fiscal year included the following:

1. Computer and office equipment – \$49,666
2. Office furniture – \$4,825

Additional information on the City Court's capital assets can be found in Note 5 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City Court's budget for the 2008-2009 fiscal year:

For fiscal year ending June 30, 2009, there is no budgeted revenue increase in contributions from the City of Hammond or Court Costs.

There is no surplus or deficit budgeted for the fiscal year ending June 30, 2009.

Requests for Information

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

Financial Statements

City Court of Hammond
Hammond, Louisiana
Governmental Funds Balance Sheet / Statement of Net Assets
June 30, 2008

Exhibit A

| | General Fund | Adjustments (Note 1) | Statement of Net Assets |
|---|--------------|-------------------------|----------------------------|
| Assets | | | |
| Cash & Cash Equivalents | \$ 329,545 | \$ - | \$ 329,545 |
| Investments | 578,325 | - | 578,325 |
| Due from Other Governments | 29,928 | - | 29,928 |
| Due from Agency Funds | 58,287 | - | 58,287 |
| Capital Assets, Net of Accumulated Depreciation | - | 143,437 | 143,437 |
| Total Assets | \$ 996,085 | \$ 143,437 | \$ 1,139,522 |
| Liabilities | | | |
| Accounts Payable | \$ 14,131 | \$ - | \$ 14,131 |
| Salaries and Benefits Payable | 1,219 | - | 1,219 |
| Due to Civil Agency Fund | - | - | - |
| Accrued Compensated Absences | - | 21,705 | 21,705 |
| Noncurrent Liabilities: | | | |
| Accrued Compensated Absences | - | 41,540 | 41,540 |
| Total Liabilities | \$ 15,350 | \$ 63,245 | \$ 78,595 |
| Net Assets | | | |
| Investment in Capital Assets, Net of Related Debt | \$ - | \$ 143,437 | \$ 143,437 |
| Designated for: | | | |
| Ad Hoc Judge | 77,347 | - | 77,347 |
| Capital Outlay | 206,812 | - | 206,812 |
| Unrestricted, Undesignated | 696,576 | (63,245) | 633,331 |
| Total Net Assets | \$ 980,735 | \$ 80,192 | \$ 1,060,927 |

The accompanying notes are an integral part of this statement.

**City Court of Hammond
Hammond, Louisiana**

Exhibit B

Statement of Governmental Fund Revenues, Expenditures, and Changes in
Fund Balance / Statement of Activities
For the Year Ended June 30, 2008

| | General Fund | Adjustments (Note 1) | Statement of Activities |
|---|----------------|-------------------------|----------------------------|
| Expenditures / Expenses: | | | |
| Salaries | \$ (1,091,249) | \$ 1,586 | \$ (1,089,663) |
| Payroll Tax and Employee Benefits | (251,882) | - | (251,882) |
| Computer Software & Programming Fees | (5,915) | - | (5,915) |
| Educational Conferences & Seminars | (37,536) | - | (37,536) |
| Equipment Repairs & Maintenance Contracts | (22,496) | - | (22,496) |
| Insurance | (5,981) | - | (5,981) |
| Judges Salary and Fees | (114,258) | - | (114,258) |
| Juvenile Service Programs | (56,825) | - | (56,825) |
| Legal and Professional Fees | (17,406) | - | (17,406) |
| Office Supplies | (82,419) | - | (82,419) |
| Rent | (42,436) | - | (42,436) |
| Repairs and Maintenance | (1,912) | - | (1,912) |
| Telephone | (13,576) | - | (13,576) |
| Miscellaneous | (37,770) | - | (37,770) |
| Capital Outlay | (62,499) | 62,499 | - |
| Depreciation Expense | - | (23,810) | (23,810) |
| Loss on Disposal of Fixed Assets | - | (383) | (383) |
| Total Expenditures / Expenses | \$ (1,844,160) | \$ 39,892 | \$ (1,804,268) |
| Program Revenues: | | | |
| Charges for Services | \$ 795,061 | \$ - | \$ 795,061 |
| Fees Earned | 82,124 | - | 82,124 |
| Operating Grants | 239,150 | - | 239,150 |
| Net Program Expense | \$ (727,825) | \$ 39,892 | \$ (687,933) |
| General Revenues: | | | |
| Contributions from City of Hammond | \$ 491,653 | \$ - | \$ 491,653 |
| Contributions from City of Ponchatoula | 24,000 | - | 24,000 |
| Intergovernmental | 148,990 | - | 148,990 |
| Other Income | 29,032 | - | 29,032 |
| Transfers from Civil Agency Fund | 12,805 | - | 12,805 |
| Total General Revenues | \$ 706,480 | \$ - | \$ 706,480 |
| Excess (Deficiency) of Revenues over Expenditures | \$ (21,345) | \$ 39,892 | \$ 18,547 |
| Fund Balance / Net Assets - Beginning of the Year | \$ 1,002,080 | \$ 40,300 | \$ 1,042,380 |
| Fund Balance / Net Assets - End of the Year | \$ 980,735 | \$ 80,192 | \$ 1,060,927 |

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Statement of Fiduciary Net Assets
June 30, 2008

Exhibit C

| | Agency Funds | | Total |
|---------------------------|--------------|-----------------|------------|
| | Civil Docket | Criminal Docket | |
| Assets | | | |
| Cash on Hand and in Banks | \$ 235,952 | \$ 218,785 | \$ 454,737 |
| Due from General Fund | - | - | - |
| Total Assets | \$ 235,952 | \$ 218,785 | \$ 454,737 |
| Liabilities | | | |
| Accounts Payable | \$ - | \$ 84,079 | \$ 84,079 |
| Due to General Fund | 10,842 | 47,445 | 58,287 |
| Due to Others | 225,110 | 87,261 | 312,371 |
| Appeal Deposits | - | - | - |
| Total Liabilities | \$ 235,952 | \$ 218,785 | \$ 454,737 |
| Net Assets | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

Exhibit D

| | <u>Agency Funds</u> | | <u>Total</u> |
|--|---------------------|------------------------|--------------|
| | <u>Civil Docket</u> | <u>Criminal Docket</u> | |
| Additions: | | | |
| Fines and Bonds Collected | \$ 349,436 | \$ 2,092,447 | \$ 2,441,883 |
| Total Additions | \$ 349,436 | \$ 2,092,447 | \$ 2,441,883 |
| Deductions: | | | |
| Fines Disbursed to City of Hammond | \$ - | \$ 579,003 | \$ 579,003 |
| Fines Disbursed to Juvenile Justice Commission | - | 16,105 | 16,105 |
| Bonds and Fines Refunded | - | 52,814 | 52,814 |
| General Fund Court Cost | 53,719 | 548,395 | 602,114 |
| Public Defender Fees | - | 11,775 | 11,775 |
| Marshal's Office Court Cost | - | 278,484 | 278,484 |
| Lab Fees | - | 6,601 | 6,601 |
| Witness Fees | - | 54,487 | 54,487 |
| Indigent Defenders' Board | - | 272,002 | 272,002 |
| Crime Victim Fund | - | 7,889 | 7,889 |
| Law Enforcement Training | - | 15,899 | 15,899 |
| Probation Fees | - | 104,677 | 104,677 |
| Trial Court Case Management Information System | - | 16,152 | 16,152 |
| Injury Trust Fund | - | 8,348 | 8,348 |
| Marshal's Fees | 43,642 | - | 43,642 |
| Court Cost Funds | 12,693 | 52,894 | 65,587 |
| Judge's Fees Earned | 70,349 | - | 70,349 |
| Judge's Supplemental Compensation Fund | 36,251 | - | 36,251 |
| Suit Settlements | 18,190 | - | 18,190 |
| Civil Cost | 43,672 | - | 43,672 |
| Article 895.1 | - | 30,041 | 30,041 |
| Other | 70,920 | 36,881 | 107,801 |
| Total Deductions | \$ 349,436 | \$ 2,092,447 | \$ 2,441,883 |
| Change in Net Assets | \$ - | \$ - | \$ - |
| Net Assets: | | | |
| Beginning of the Year | \$ - | \$ - | \$ - |
| End of the Year | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2008

Introduction

The City Court of Hammond (hereinafter referred to as "City Court") was created under the authority of RS 13:1952. The purpose of the City Court is to collect fines and court costs and remit these fines to the City of Hammond and to the Tangipahoa Parish Council. The City Court has jurisdiction within the Seventh Ward of Tangipahoa Parish. The City Court presently employs thirty-one people to include the Judge, Clerk of Court, and twenty-six Deputy Clerks of Court. The City Court maintains a courtroom and offices in Hammond City Hall. Revenues for the City Court include court costs assessed on civil and criminal cases handled by the court, appropriations from the City of Hammond, intergovernmental grants, and other revenues. Major expenditures of the City Court include salaries and related benefits, data processing, telephone and utilities, and other expenditures.

I. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the City Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

B. Reporting Entity

The City Court is fiscally dependent on the City of Hammond. The City of Hammond maintains and operates the building in which the City Court courtroom and offices are located and provides funds for salaries, equipment, and expenditures of the City Court. Because the City Court is fiscally dependent on the City of Hammond, the City Court was determined to be a component unit of the City of Hammond, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Hammond, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The City Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City Court functions and activities.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund –

Governmental funds account for all of the City Court's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds of the City Court include:

General Fund – the general operating fund of the City Court and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose, provided it is expended or transferred in accordance with state and federal laws and according to City Court policy.

Fiduciary Funds –

Fiduciary funds reporting focuses on net assets and changes in net assets. The City Court maintains two fiduciary funds: the Civil Agency Fund and the Criminal Agency Fund. The Civil Agency Fund is used to account for assets held by the City Court as an agent for individuals or private organizations. The Criminal Agency Fund is used to account for assets held by the City Court as an agent for criminal defendants. These two agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, these agency funds have no measurement focus, but use the modified accrual basis of accounting.

D. Basis of Accounting

Fund Financial Statements (FFS):

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

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

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

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

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

E. Government-Wide Financial Statements

The column labeled Statement of Net Assets (Exhibit A) and the column labeled Statement of Activities (Exhibit B) display information about the City Court as a whole. These statements include all the financial activities of the City Court. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Exhibit B) are derived directly from City Court users as a fee for services; program revenues reduce the cost of the function to be financed from the City Court general revenues.

Reconciliation:

The reconciliation of the items reflected in the funds columns to the Statement of Net Assets (Exhibit A) and Statement of Activities (Exhibit B) are as follows:

| Exhibit A | |
|--|------------------|
| Recording of Net Capital Assets | \$ 143,437 |
| Recording of Compensated Absences | <u>(63,245)</u> |
| Net Effect of Changes | <u>\$ 80,192</u> |
| | |
| Exhibit B | |
| Capitalization of Capital Assets | \$ 62,499 |
| Recording of Depreciation Expense | (23,810) |
| Loss on Disposal of Fixed Assets | (383) |
| Recording of Compensated Absences | <u>1,586</u> |
| | 39,892 |
| Adjustments to Beginning Fund Balance for Prior Years: | |
| Capital Assets | 105,132 |
| Compensated Absences | <u>(64,832)</u> |
| | 40,300 |
| Net Effect of Changes | <u>\$ 80,192</u> |

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

F. Budgets

The City Court of Hammond follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The fiscal officer prepares a proposed budget and submits this budget to the Clerk of Court and Judge no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the fiscal year ended June 30, 2008, was submitted to the clerk of court on June 1, 2007.
2. A summary of the proposed budget is published in the official journal and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2008, was published on June 1, 2007.
3. A public hearing is held on the proposed budget after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2008 on June 25, 2007.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted. The proposed budget for the year ended June 30, 2008, was adopted on June 25, 2007.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Clerk.
6. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, money market accounts, and time deposits. Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the City Court may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost. See Note 2 regarding cash, cash equivalents, and investments for further information regarding cash and cash equivalents.

H. Inventories

The City Court utilizes the "purchase method" of accounting for supplies whereby expendable operating supplies are recognized as expenditures when purchased. The City Court did not record any inventory at June 30, 2008.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

I. Prepaid Items

The City Court recognized expenditures for insurance and similar services extending over more than one accounting period when paid.

J. Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City Court maintains a threshold level of \$100 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|-------------|-----------------|
| Furniture | 5 |
| Equipment | 5 |

K. Compensated Absences

The City Court has the following policy relating to vacation and sick leave:

All full-time City Court employees who are paid on a salary basis and work a regular full-time workweek earn sick leave and annual leave. Employees with six months to one year of service earn two days of sick leave. Employees with one to five years of service earn five days of sick leave. Employees with six to ten years of service earn seven days of sick leave. Employees with ten or more years of service earn ten days of sick leave. Employees may accumulate all unused sick leave but the employee's right to unused sick leave benefits does not vest. Therefore, the City Court recognizes an expenditure for sick leave benefits when payments are made to employees.

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

The cost of current leave privileges, computed in accordance with GASB Statement No. 16, is recognized as current-year expenditure in the General Fund when leave actually accrues. The current and non-current portions are recorded in the government-wide financial statements.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

2. Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the City Court may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

As reflected in Exhibit A, the City Court has restricted and unrestricted cash totaling \$329,545 and unrestricted investments totaling \$578,325 at June 30, 2008. Total cash from fiduciary responsibilities not reported on the government-wide financial statements was \$454,737. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held by and in the name of the fiscal agent bank but pledged to the City Court. The following is a summary of cash investments (bank balances) at June 30, 2008, with the related federal deposit insurance and pledged securities:

| | |
|--|---------------------|
| Bank Balances: | |
| Insured (FDIC Insurance) | \$ 666,510 |
| Collateralized: | |
| Collateral held by City Court's agent in the City Court's name | - |
| Collateral held by pledging bank's trust department in the City Court's name | - |
| Collateral held by pledging bank's trust department not in the City Court's name | 717,342 |
| Uninsured and Uncollateralized | <u>-</u> |
| Total Deposits | <u>\$ 1,383,852</u> |

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City Court's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. As of June 30, 2008, \$717,352 of the government's bank balance of \$1,383,852 was exposed to custodial credit risk as follows:

| | |
|---|-------------------|
| Uninsured and Uncollateralized | \$ - |
| Uninsured and collateral held by pledging bank's trust department not in the City Court's name | <u>717,342</u> |
| Total | <u>\$ 717,342</u> |

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the City Court that the fiscal agent has failed to pay deposited funds upon demand.

As of June 30, 2008, the City Court did comply with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

3. Interfund Receivables / Payables

The following is a summary of interfund receivables / payables at June 30, 2008:

| | Due From | Due To |
|-----------------------|-----------|-----------|
| General Fund: | | |
| Civil Agency Fund | \$ 10,842 | \$ - |
| Criminal Agency Fund | 47,445 | - |
| Civil Agency Fund: | | |
| General Fund | - | 10,842 |
| Criminal Agency Fund: | | |
| General Fund | - | 47,445 |
| | \$ 58,287 | \$ 58,287 |

4. Due From Other Governments

Amounts due from other governmental units at June 30, 2008 consisted of the following:

| | |
|---------------------------------------|-----------|
| Receivables Due From: | |
| Tangipahoa Parish Sheriff's Office | \$ 1,000 |
| Office of Juvenile Justice | 11,820 |
| State of Louisiana Drug Court | 708 |
| 21st Judicial District / FINS Program | 16,400 |
| | \$ 29,928 |

No allowance for uncollectible accounts is required at June 30, 2008.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

5. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2008 is as follows:

| <u>Governmental Activities</u> | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2008</u> |
|--------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Building Improvements | \$ 9,702 | \$ 8,008 | \$ - | \$ 17,710 |
| Furniture & Fixtures | 86,457 | 4,825 | (4,130) | 87,152 |
| Equipment | 607,737 | 49,666 | (81,790) | 575,613 |
| Total | 703,896 | 62,499 | (85,920) | 680,475 |
| Accumulated Depreciation | 598,765 | 23,810 | (85,537) | 537,038 |
| Capital Assets, Net | <u>\$ 105,131</u> | <u>\$ 38,689</u> | <u>\$ (383)</u> | <u>\$ 143,437</u> |

6. Accounts, Salaries, and Other Payables

| | <u>General Fund</u> | <u>Civil Agency Fund</u> | <u>Criminal Agency Fund</u> | <u>Total</u> |
|-----------------------------|-------------------------|------------------------------|---------------------------------|------------------|
| Accounts Payable | \$ 14,131 | \$ - | \$ 84,079 | \$ 98,210 |
| Salaries & Benefits Payable | 1,219 | - | - | 1,219 |
| | <u>\$ 15,350</u> | <u>\$ -</u> | <u>\$ 84,079</u> | <u>\$ 99,429</u> |

7. Employees Pension Plan (Parochial Employees Retirement System of Louisiana)

Substantially all employees of the City Court are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and B, with separate assets and benefit provisions. All employees of the City Court are members of Plan B.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees Retirement System of Louisiana, 5420 Corporate Blvd., Suite 103, Baton Rouge, Louisiana 70808, or by calling (225) 928-1361.

Funding Policy – Under Plan B, members are required by state statute to contribute 3.00% of their annual earnings and the City Court of Hammond is required to contribute at an actuarially determined rate. The current rate is 6.00% of annual covered payroll. Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City Court of Hammond's contributions to the System under Plan B for the years ending June 30, 2008 and 2007 were \$53,430 and \$44,320 respectively, equal to the required contributions for each year. The Court's total payroll in the fiscal year ended June 30, 2008, was \$1,091,249, and the Court's contributions were based on a payroll of \$890,501. Both the Court and the covered employees made the required contributions, amounting to \$80,145. There were no related party transactions.

8. Employees Pension Plan (Louisiana State Employees Retirement System – LASERS)

Only the Judge of the City Court of Hammond participates in the Louisiana State Employees' Retirement System.

The Louisiana State Employees' Retirement System ("LASERS" or the "System") is an agency of the State of Louisiana established under the provisions of Title 11, Section 401, of the Louisiana Revised Statutes of 1950, as amended (the "Statutes"). LASERS is a single-employer public employee retirement system which is organized for the purpose of providing retirement and other benefits for employees of the State and its various departments and agencies and their beneficiaries. LASERS is supervised by an eleven-member Board of Trustees and is funded through employee and employer contributions and investment earnings.

The following information describing LASERS is necessarily general in nature and is not intended to be a full and complete description of the numerous and varied statutory provisions applicable to LASERS and its members. Reference should be made to the applicable Statutes for specific detailed information.

Eligibility Requirements – All state employees except certain classes of employees specifically excluded by Statutes become members of the System as a condition of employment unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Elected officials and officials appointed by the governor may, at their option, become members of LASERS.

Retirement Benefits – The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and may vary depending on the member's employer and job

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

classification. The substantial majority of members may retire with full benefits at ages ranging from any age, upon completing thirty years of creditable service, to age sixty, upon completing ten years of creditable service.

The basic annual retirement benefit for substantially all members is equal to 2-1/2% of average compensation multiplied by the number of years of creditable service plus \$300. Participants who became members of LASERS on or after July 1, 1986, are not eligible for the \$300 addition to the annual retirement benefit formula. Average compensation is defined as the member's average annual earned compensation for the period of thirty-six consecutive months of employment during which the member's aggregate earned compensation was greatest. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or certain specified dollar amounts of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges and court officers and certain elected officials receive an additional annual retirement benefit equal to 1% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the above basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

Contributions – Covered employees are required by state statute to contribute 11.50% of their salary to the plan. The Court is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 2008, was \$15,025, which consisted of \$9,608 from the Court and \$5,417 from employees. Each employer was required by Statute to contribute 20.4% of each employee's earned compensation to finance participation of its employees in LASERS. The following provides certain disclosures for the Court and the retirement system.

The Court's total payroll in the fiscal year ended June 30, 2008 was \$1,091,249 and the Court's contributions were based on a payroll of \$47,100. Both the Court and the covered employees made the required contributions, amounting to \$15,025. There were no related party transactions.

Trend Information – Contributions required by state statute:

| <u>Fiscal Year - June 30,</u> | <u>Required Contribution</u> | <u>Percent Contribution</u> |
|-------------------------------|------------------------------|-----------------------------|
| 2006 | \$ 13,800 | 100% |
| 2007 | \$ 14,413 | 100% |
| 2008 | \$ 15,025 | 100% |

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 922-0600.

All employees of the Court, with the exception of the judge, are also members of the Social Security System.

**City Court of Hammond
Hammond, Louisiana**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

9. On Behalf Payments for Salaries and Benefits

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

Supplementary salary payments are made by the State directly to the City Court Judge and from the Parish Council to the Judge and the Court's employees. The Court is not legally responsible for these salary supplements. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by the State and the Parish Council. For the fiscal year ended June 30, 2008, the State and Parish Council paid \$26,708 in supplemental salary payments to the City Court Judge and the Parish Council and School Board made supplementary salary and benefit payments of \$46,600 to the City Court's employees.

10. Compensated Absences

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

| Years of Service | Hours Earned per Month | |
|-------------------|------------------------|------------|
| | Annual Leave | Sick Leave |
| 6 Months - 1 Year | 5 Days | 2 Days |
| 1 - 5 Years | 11 Days | 5 Days |
| 6 - 10 Years | - | 7 Days |
| 6 - 11 Years | 16 Days | - |
| Over 10 Years | - | 10 Days |
| Over 12 Years | 21 Days | - |

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

At June 30, 2008, employees of the City Court have accumulated and vested \$63,245 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. \$63,245 is recorded as an obligation of the government-wide non-current liabilities.

11. Fund Balance – Designated For Capital Outlay

The Judge has appropriated monies and the interest earned thereon to be used for future equipment purchases and capital improvements. The total accumulated at June 30, 2008 for this purpose is \$206,812.

City Court of Hammond
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2008

12. Fund Balance – Designated For Ad Hoc Judge

Fund Balance – Designated for Ad Hoc Judge has been included on the Balance Sheet of the General Fund to reflect fees for ad hoc judge which have been collected, but which have not been expended. The total accumulated at June 30, 2008 for this purpose is \$77,347.

13. Judges' Supplemental Compensation Fund

The Judges' Supplemental Compensation Fund was created to be used solely and exclusively for salary supplements to judges and commissioners, for related costs of state or municipal retirement funds, and for necessary and associated administrative expenses. A non-refundable fee has been set for every civil filing. The clerk of court is required to remit these fees collected to the state treasurer on a monthly basis. The total fees paid for the year ended June 30, 2008 were \$36,251.

14. Postretirement Health Care and Life Insurance Benefits

At June 30, 2008, the Court has no postretirement health care and life insurance benefit plan in existence.

Required Supplemental Information

**City Court of Hammond
Hammond, Louisiana**

Schedule I

Statement of Governmental Fund Revenues, Expenditures, and Changes in
Fund Balance – Budget (GAAP Basis) and Actual – General Fund
For the Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts - Budgetary Basis</u> | <u>Final Budget Favorable / (Unfavorable)</u> |
|--|----------------------------|-------------------------|---|---|
| Revenues: | | | | |
| Contributions: | | | | |
| Civil Docket - Judges Fees | \$ 45,000 | \$ 65,000 | \$ 70,349 | \$ 5,349 |
| Criminal Docket | 649,566 | 803,419 | 795,061 | (8,358) |
| Criminal Docket - Public Defender Fees | 15,000 | 12,517 | 11,775 | (742) |
| City of Hammond | 491,653 | 491,653 | 491,653 | - |
| City of Ponchatoula | 25,000 | 25,000 | 24,000 | (1,000) |
| Grant Revenue | 192,180 | 251,065 | 239,150 | (11,915) |
| On Behalf Payments | 131,436 | 145,043 | 148,990 | 3,947 |
| Interest Income | 11,000 | 17,000 | 28,433 | 11,433 |
| Other Fees | - | 80,873 | 13,404 | (67,469) |
| Total Revenues | <u>\$ 1,560,835</u> | <u>\$ 1,891,570</u> | <u>\$ 1,822,815</u> | <u>\$ (68,755)</u> |
| Expenditures: | | | | |
| Salaries | \$ 953,913 | \$ 1,100,885 | \$ 1,091,249 | \$ 9,636 |
| Payroll Tax and Employee Benefits | 249,122 | 270,736 | 251,882 | 18,854 |
| Computer Software & Programming Fees | - | 3,962 | 5,915 | (1,953) |
| Judges Salary and Fees | 96,514 | 122,538 | 114,258 | 8,280 |
| Educational Conferences & Seminars | 23,900 | 33,198 | 32,702 | 496 |
| Capital Outlay | 40,700 | 61,500 | 62,499 | (999) |
| Equipment Repairs & Maintenance Contracts | 17,500 | 28,206 | 22,496 | 5,710 |
| Insurance | 8,810 | 7,656 | 5,981 | 1,675 |
| Juvenile Service Programs | 13,000 | 58,397 | 56,825 | 1,572 |
| Legal and Professional Fees | 10,300 | 20,712 | 17,406 | 3,306 |
| Miscellaneous | 20,750 | 34,425 | 39,682 | (5,257) |
| Office Supplies | 60,508 | 67,540 | 65,012 | 2,528 |
| Telephone | 16,200 | 16,500 | 13,576 | 2,924 |
| Travel | 3,200 | 4,879 | 4,834 | 45 |
| Uniforms | 5,000 | 18,000 | 17,407 | 593 |
| Rent | 41,418 | 42,436 | 42,436 | - |
| Total Expenditures | <u>\$ 1,560,835</u> | <u>\$ 1,891,570</u> | <u>\$ 1,844,160</u> | <u>\$ 47,410</u> |
| Excess (Deficiency) of Revenues over Expenditures | \$ - | \$ - | \$ (21,345) | \$ (21,345) |
| Fund Balance / Net Assets: | | | | |
| Beginning of the Year | <u>\$ 1,002,080</u> | <u>\$ 1,002,080</u> | <u>\$ 1,002,080</u> | <u>\$ -</u> |
| End of the Year | <u>\$ 1,002,080</u> | <u>\$ 1,002,080</u> | <u>\$ 980,735</u> | <u>\$ (21,345)</u> |

See auditor's report.

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

**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***

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA

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December 1, 2008

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

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

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise City Court of Hammond's basic financial statements, and have issued our report thereon dated December 1, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City Court of Hammond's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City Court of Hammond's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court of Hammond's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City Court of Hammond's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City Court of Hammond's financial statements that is more than inconsequential will not be prevented or detected by the City Court of Hammond's internal control. We consider the deficiencies described in the accompanying schedule of findings, recommendations, and responses identified as items 08-01, 08-02, and 08-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City Court of Hammond's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we considered items 08-02 and 08-03 to be material weaknesses.

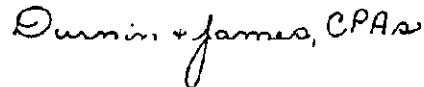
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court of Hammond'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 result of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City Court of Hammond's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations and responses. We did not audit the City Court of Hammond's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

Schedule of Findings, Recommendations, and Responses

City Court of Hammond
Hammond, Louisiana
Schedule of Current Year Audit Findings, Recommendations, and Responses
For the Year Ended June 30, 2008

Internal Control over Financial Reporting

08-01 – Reconciliation of Advance Deposit Fund

Condition: During our audit and testing of the City Court's Civil Agency Fund, we noted that the balance in the cash account did not reconcile to the total of the individual case balances according to the subsidiary ledger produced from the City Court's computerized court management system. The Civil Fund is used to account for the receipt and disbursement of advance deposits received in suits filed by litigants. Improvement is needed in this area in order to accurately account for the receipt and disbursement of funds received from litigants and to determine that the remaining balances held for the benefit of individual litigants is correct. The cause of this condition appears to be errors in the reporting of inactive cases by the computerized court management system that may have occurred when the City Court converted to its current software system. As a result, the inability of the City Court to reconcile the balance in the cash account to the subsidiary ledger balances creates an environment in which unintentional or intentional errors could occur and not be detected in a timely manner.

Recommendation: We recommend that the City Court personnel review the status of all cases currently reported for the Civil Agency Fund with outstanding balances particularly those cases marked as inactive and reconcile the total amount held for the benefit of plaintiffs to the cash available in the Civil Agency Fund.

Management's Response: In management's corrective action plan, management stated that the Court has reviewed this issue with the Civil Department and the Clerk of Court. The problem appears to have occurred due to the change in software that was implemented by the Clerk in approximately 2004. We further believe that the discrepancy is not one of a deficiency of funds, but that the computer software failed to properly move the inactive ledgers to a closed status when the funds were declared forfeited and were transferred according to statute. As a corrective action, the Clerk of Court, together with the Accounting Division and the Civil Division, will audit every pertinent file to identify the discrepancies and to reconcile the balances, immediately. The Court anticipates this task to be completed within the first quarter of the calendar year 2009.

08-02– Theft of Defensive Driving Program Fee Revenue

Condition: During our audit and review of fee revenue for the Defensive Driving Program, we noted that a theft of Defensive Driving Program fees occurred during the year. Material weaknesses in the design and operation of the City Court's internal controls over the receipt of Defensive Driving Program fees created an environment in which this theft was allowed to happen. The internal control deficiencies that allowed this theft to occur include the following:

- Individuals ordered by the court to attend the defensive driving classes paid the class fees to the program instructor at the start of each class and were allowed to pay the fee using either money orders or cash. Money collected during the classes on Saturdays was not deposited that day using the night deposit box at the bank but was maintained in the City Court office until it was recorded and deposited on Mondays.
- Charges for defensive driving program fees were not added to an individual's account in the criminal computer system until the class had already been attended. As a result, no outstanding fees appeared on the individual's account in the criminal computer system that would ultimately be cleared when the payment was entered.

**City Court of Hammond
Hammond, Louisiana**

Schedule of Current Year Audit Findings, Recommendations, and Responses
For the Year Ended June 30, 2008

- A manual receipt book was used by the defensive driving class instructor to prepare receipts for each of the individuals attending class. However, unissued receipt books were not controlled in a secure location prior to issuance, and no control log was created to document the issuance, completion, and return of each receipt book issued. The control copy of the receipts left in the books were not marked as "Paid" and reconciled to the cash deposited with the cashier by someone who was independent of the Defensive Driving Program. In addition, the numerical sequence of receipts issued was not reviewed and verified by an individual who was independent of the Defensive Driving Program. The control copy of the receipts issued was not verified against the manual log of persons attending the defensive driving class and the entries in the criminal computer system on a regular basis to determine whether or not they had been recorded in the criminal computer system properly.

Recommendations: As a result of this condition, the following changes in the internal control procedures for Defensive Driving Program fees have been implemented by the City Court of Hammond as of the date of this report:

- When an individual is ordered by the Court to attend the defensive driving class, the fees are immediately charged to the individual's account in the criminal computer system. These fees must be paid in advance and a valid receipt from the City Court's office must be presented for an individual to be allowed into the defensive driving class.
- No fees are collected at the door of the defensive driving class. All fees are collected and deposited in advance at the cashier window at the City Court's office with all applicable control procedures at the cashier window applied.
- A docket is printed out from the criminal computer system prior to each defensive driving class. This docket is compared against the individuals attending the class to verify their enrollment.

Management's Response: In management's corrective action plan, management stated that the Court corrected this internal control immediately upon finding the problem. Currently all funds for this program must be paid to the Clerk of Court's office during business hours and a receipt for admission is provided to the customer for entrance to the class, which is taught after normal working hours. No cash or other method of payment is allowed at the class. In addition, the Clerk's Office now prints a docket verifying the names of those persons who have paid for the class and who are to be granted admission.

Upon discovering the theft, immediate measures were taken by the Court and the Clerk's Office to ascertain the offending employee, determine the amount of money that was not accounted for, and to report the theft to the Tangipahoa Parish Sheriff's Office. As a part of the investigation, the Sheriff's Office assisted in recovering all funds from the employee and the criminal prosecution is pending in District Court.

08-03 – Improved Internal Controls over Receipt of Cash Bonds

Condition: During our audit and testing of cash bonds, we noted a weakness in the internal control procedures over cash bonds. Cash bonds are received in cash by the Hammond Police Department and transmitted to the Hammond City Court as received using a transmittal sheet that includes the receipts issued and the cash received that is required to be signed by an employee of the City Court. The transmittal sheets are not pre-numbered and a control log of all transmittal sheets received is not maintained. Furthermore, the transmittal sheets with accompanying receipts and money is signed for by someone who not independent of the cashier function.

City Court of Hammond
Hammond, Louisiana
Schedule of Current Year Audit Findings, Recommendations, and Responses
For the Year Ended June 30, 2008

Recommendations: As a result of this condition, the following changes in the internal control procedures for cash bonds have been implemented by the City Court of Hammond as of the date of this report:

- When a cash bond is delivered to the City Court office by a Hammond Police Department (or “HPD”) officer, a court supervisor who is independent of the cashier function is responsible for accepting the transmittal sheet with the accompanying receipts and money. The court supervisor will then take the money to one of the four cashiers to enter the money into the computer system. Once the cashier enters the money into the criminal computer system, the cashier and court supervisor reconcile the report to the actual cash available.
- A copy of the transmittal sheet, yellow receipt from the HPD receipt book, and the computer transaction report evidencing the receipt from the criminal computer system are filed in a control file.
- All cash bond receipts received from the HPD now have a file number, name, violation, offense date, and amount listed on them. This information is used to update the computer system if the ticket has not yet been entered into the criminal computer system. As a result, no cash bonds are allowed to be kept on hand – all cash bonds must be recorded in the criminal computer system and deposited into the bank account daily.

Management’s Response: In management’s corrective action plan, management stated that the Court has no control over the collection of cash bonds by the outside arresting agencies, such as the Hammond Police Department. The money is collected by the arresting agency and hand delivered to the Clerk of Court’s Office. The Court is taking steps to encourage the City of Hammond and the Hammond Police Department to deposit all cash bonds received into a special escrow account and to implement a paperless system whereby the funds would remain on deposit until they are forfeited and transferred to the Clerk of Court or returned to the depositor. This would eliminate the hand delivery of cash, it would expedite the availability of information regarding bonds posted to a “real time” system, and it would eliminate the necessity of duplication of paperwork between the Police Department and the Clerk of Court.

Pending the change of the collection and transfer system by the City and the Police Department, the Clerk of Court has implemented internal controls to require at least one Deputy Clerk and one supervisor to receive the money from the Police Department, for all money to be accompanied by the requisite copy of a receipt, for all money to be assigned a file number, and for all bond money to be immediately posted into the Clerk’s Criminal computer system and be balanced with all other funds received daily.

Compliance and Other Matters

None

Corrective Action Plan for Current Year Audit Findings

City Court of Hammond
Hammond, Louisiana
 Corrective Action Plan for Current Year Audit Findings
 For the Year Ended June 30, 2008

| <u>Ref. #</u> | <u>Description of Finding</u> | <u>Corrective Action Plan</u> | <u>Name of Contact Person</u> | <u>Anticipated Completion Date</u> |
|--|---|---|-------------------------------|------------------------------------|
| <u>Internal Control over Financial Reporting</u> | | | | |
| 08-01 | Reconciliation of Advance Deposit Fund | Review all cases and reconcile balances to cash in bank | Amy Giannobile | June 30, 2009 |
| 08-02 | Theft of Defensive Driving Program Fee Income | Corective action has already been taken | Amy Giannobile | June 30, 2009 |
| 08-03 | Improved Internal Controls over Receipt of Cash Bonds | Corective action has already been taken | Amy Giannobile | June 30, 2009 |

Compliance and Other Matters

None

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

Summary Schedule of Prior Audit Findings

**City Court of Hammond
Hammond, Louisiana**

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

| Ref. # | Fiscal Year Findings Initially Occurred | Description of Findings | Corrective Action | | | Additional Explanation |
|--------|---|-------------------------|----------------------|--|--|---------------------------|
| | | | Taken | Plan Corrective Action; Partial Corrective Action Taken | | |

Internal Control over Financial Reporting

None

Compliance and Other Matters

| | | | | | |
|-------|---------------|---------------------------------|-----|---|--|
| 07-01 | June 30, 2007 | Bank balance not collateralized | Yes | Bank balances adequately collateralized | |
|-------|---------------|---------------------------------|-----|---|--|

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