

RECEIVED
LEGISLATIVE AUDITOR
55 JUL 28 PM 4 00

OFFICIAL
FILE COPY

DO NOT WRITE ON IT

(When necessary
please stamp this
copy in its place
BACK in file)

CITY COURT OF PORT ALLEN

FINANCIAL REPORT

December 31, 1985

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the audited, or reviewed, 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 7-27-96

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Combined Balance Sheet - Fund Type and Account Group	2
Statement of Revenues, Expenditures and Changes in Fund Balance	3
Notes to Financial Statements	4
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	12
Schedule of Internal Control Structure Reportable Conditions	14

H. J. Lowe & Company, L.L.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable William T. Klempeter
City Court of Port Allen
Port Allen, Louisiana

We have audited the accompanying general purpose financial statements of the City Court of Port Allen, Louisiana, a component unit of the City of Port Allen, Louisiana as of and for the year ended December 31, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City Court of Port Allen, Louisiana as of December 31, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 31, 1996 on our consideration of the City Court of Port Allen's internal control structure, and a report dated May 31, 1996 on its compliance with laws and regulations.

H. J. Lowe & Company, L.L.C.

May 31, 1996

CITY COURT OF PORT ALLEN

COMBINED BALANCE SHEET - FUND TYPE AND ACCOUNT GROUP December 31, 1995

	Governmental Fund Type General	General Fixed Account Group	Totals (Memorandum Only)
Assets			
Cash	\$ 21,894	\$ -	\$ 21,894
Equipment and leasehold improvements	-	28,337	28,337
Total assets	\$ 21,894	\$ 28,337	\$ 50,231
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 3,055	\$ -	\$ 3,055
Deposits	19,219	-	19,219
Total liabilities	12,388	-	12,388
FUND EQUITY			
Investment in general fixed assets	-	28,337	28,337
Fund balances:			
Unreserved, unassigned	8,219	-	8,219
Total fund equity	8,219	28,337	36,556
Total liabilities and fund equity	\$ 21,684	\$ 28,337	\$ 50,021

Reverts to Financial Statement

CITY COURT OF PORT ALLEN

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

For the Year Ended December 31, 1998

Revenues		
Fines and fees	\$	137,868
Expenditures		
Current		
Intergovernmental		88,873
Personal services		7,497
Travel		5,253
Dues and subscriptions		530
Office expense and maintenance		18,852
Other fees and services		<u>32,875</u>
Total expenditures		<u>153,879</u>
Revenues (and/or) expenditures		(16,011)
Fund balance, beginning		<u>31,423</u>
Fund balance, ending	\$	<u>8,219</u>

See Notes to Financial Statements.

CITY COURT OF PORT ALLEN

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the City Court of Port Allen have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Court's accounting policies are described below.

A. Reporting Entity

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria (determining which component units should be considered part of the City of Port Allen for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial responsibility. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

Because the City provides financial support to the City Court, the City Court was determined to be a component unit of the City of Port Allen, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

NOTES TO FINANCIAL STATEMENTS

B. Fund Accounting

The Court uses funds and account groups to report on its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds and account groups are classified as follows in the balance sheet:

Governmental Fund:

General Fund

The general fund is the general operating fund of the Court. It is used to account for all financial resources.

General Fixed Assets Account Group

The general fixed assets account group is used to account for all Court general fixed assets.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The modified accrual basis of accounting is used by all governmental fund types. 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 be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expendability of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds. Encumbrances outstanding at year end are immaterial and not reported as reservations of fund balances.

NOTES TO FINANCIAL STATEMENTS

and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash

Cash includes entirely insured amounts in demand deposits.

F. General Fixed Assets

General fixed assets are those acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental fund and capitalized at cost in the General Fixed Assets Account Group.

Depreciation is not provided on general fixed assets and interest is not capitalized.

G. Deposits

Deposits represent collection of suit deposits and fines and/or judgments, prior to sentencing or performance of services. These deposits will be recognized as revenue upon sentencing or performance of services or will be refunded to the plaintiff or defendant.

H. Budgets

Due to its size, the Court is not legally required to prepare a budget.

I. Memorandum Only - Total Columns

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

J. Risk Management

The City Court is exposed to various risks of loss related to theft, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City Court is covered by insurance provided by the City of Port Allen at levels which management believes is adequate to protect the City Court. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash

At year end, the carrying amount of the Court's cash was \$21,804 (and the bank balance was \$30,899). All of the bank balance was covered by Federal Deposit Insurance.

Note 3. Changes in General Fixed Assets

A summary of changes in General Fixed Assets follows:

	Balance December 31, 1994	Additions	Deletions	Balance December 31, 1995
Equipment	\$ 23,370	\$ -	\$ -	\$ 23,370
Leasehold improvements	4,987	-	-	4,987
	\$ 28,357	\$ -	\$ -	\$ 28,357

Note 4. Retirement Commitments

Louisiana State Employees' Retirement System (LASERS)

Plan Description and Provisions:

The City Court's Judge participates in the LASERS, a cost sharing multiple-employer public employee retirement system (PERS). The payroll for employees covered by the System for the year ended December 31, 1995, was \$38,841, while the Court's total payroll was \$81,600.

Generally all full-time employees are eligible to participate in the System. The employees may retire with full benefits at ages ranging from any age upon completing 30 years of creditable service to age 50 upon completing 10 years of creditable service. The basic annual retirement benefit for substantially all members is equal to 25% of average compensation times the number of years of creditable service plus \$300. Participants who became members of the System on or after July 1, 1988, 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 30 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. Benefits fully vest upon reaching 10 years of service. The System also provides death and disability benefits. Benefits are established by State statute.

NOTES TO FINANCIAL STATEMENTS

Description of Funding Policy:

Covered employees under LASERS are required by State statute to contribute 11.5% of their salary to LASERS. The Court was required by the same statute to contribute 11.9% of covered employees' salaries. The contribution requirement for the year ended June 30, 1995, was \$6,089 which consisted of \$4,822 from the Court and \$1,467 from the employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and stipulate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual departments within the State of Louisiana. The pension benefit obligation at June 30, 1995, for the System as a whole, determined through an actuarial valuation performed as of that date, was \$5,899.9 million. The System's net assets available for benefits on that date were \$2,589.5 million, leaving an unfunded pension benefit obligation of \$2,707.4 million. The Court's 1995 contribution represented less than one percent of total contributions required of all participating assets.

Trend Information:

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1995, component unit financial reports. Benefits granted by the System are guaranteed by the State of Louisiana under the 1974 Louisiana Constitution.

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description and Provisions:

All of the Court's other full-time general employees participate in the MERS, cost-sharing multiple employer public retirement system (PERS). The payroll for employees covered by the MERS for the year ended December 31, 1995 was \$42,842; the Court's total payroll was \$81,683.

Employees attaining the age of 60 with 10 years of creditable service, age 55 with 20 years of creditable service or any age with 30 years of creditable service, are entitled to a monthly benefit of 2% of their average monthly earnings as defined in the plan for each satisfying year of service requirements. Active employees who become disabled receive 2% of their average monthly earnings in effect at the time of disability, as defined in the plan for each year of creditable service. Disability benefits are paid until the earlier

NOTES TO FINANCIAL STATEMENTS

of death, recovery from disability or attainment of normal retirement age. If an employee dies, his unmarried spouse and/or children receive a lump sum payment, not to exceed 80% of the member's final compensation. The surviving unmarried spouse of a member eligible for normal retirement receives the initial lump sum followed by monthly payments for life.

If a member's employment is terminated before the member is eligible for any other benefits under MERIS, the member shall receive a refund of his member contributions.

Description of Funding Policy:

Covered employees are required by state statute to contribute 9.55% of their salary to MERIS. The Court is required by its statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirements for the year ended December 31, 1999 was \$6,884, which consisted of \$2,682 from the Court and \$3,963 from the employees.

The amount reported below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the plan's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERIS and employers. The MERIS does not conduct separate measurements of assets and pension benefit obligations for individual employees. The pension benefit obligation at June 30, 1999, for the MERIS as a whole, determined through an actuarial valuation performed as of that date, was \$387.5 million. The MERIS net assets available for benefits on that date (valued at cost) were \$258.7 million, resulting in an unfunded pension benefit obligation of \$51.8 million. The Court's 1999 contribution represented less than one percent of total contributions required of all participating employers.

Trend information:

Ten year historical trend information presenting the MERIS' progress in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1999 comprehensive annual financial reports.

NOTES TO FINANCIAL STATEMENTS

Note 5. Related Party Transactions

The City of Port Allen, Louisiana incurs expenditures on behalf of the Court. These expenditures include compensation to Court personnel, including related pension cost. Information regarding the pension matters is disclosed in note 4. During the year ended December 31, 1995, the City paid the following expenditures on behalf of the Court:

Personnel services	\$ 92,582
Other services and supplies	— 5,685
	\$ 98,267

The Court distributes a portion of all fines collected to the City. During the year ended December 31, 1995, the portion of fines collected by the Court which were available for distribution to the City totaled \$23,767. As of December 31, 1995, the Court had distributed all fines due the City.

The Court has agreed to reimburse the City for a portion of two of the Court's employees. Under this agreement, the Court incurred cost of \$25,589 of which \$2,190 was payable at December 31, 1995.

H. J. Lowe & Company, L.L.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable William T. Klempeter
City Court of Port Allen
Port Allen, Louisiana

We have audited the general purpose financial statements of the City Court of Port Allen, Louisiana, component unit of The City of Port Allen, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards, and 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City Court of Port Allen, Louisiana is the responsibility of the City Court's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Court's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Judge, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

H. J. Lowe & Company, L.L.C.

May 31, 1996

H. J. Lowe & Company, L.L.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable William T. Klingester
City Court of Port Allen
Port Allen, Louisiana

We have audited the general purpose financial statements of the City Court of Port Allen, Louisiana, component unit of the City of Port Allen, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatements.

The management of the City Court of Port Allen, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the City Court of Port Allen, Louisiana, for the year ended December 31, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The matter that we consider to be a reportable condition is described in the accompanying schedule of internal control structure reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition noted is a material weakness.

This report is intended for the information of the Judge, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

H. S. Howe & Company, L.L.C.

May 21, 1999

CITY COURT OF PORT ALLEN

SCHEDULE OF INTERNAL CONTROL STRUCTURE
REPORTABLE CONDITIONS

MATERIAL WEAKNESS:

Inadequate segregation of duties

Condition:

The Court is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recodulation) cycles.

Criteria:

The processing of purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting activities.

Effect:

The effect is such that errors, either intentional or unintentional, in the processing of purchases and journal entries could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause:

The size of the Court and the limited number of employees did not permit an adequate segregation of incompatible duties.

Recommendation:

Due to the size of the City Court's operations it does not have sufficient staff to establish adequate segregation of duties. Management should consider if the cost associated with reducing this deficiency in the design or operation of the internal control structure is considered to be justified.

Auditor response:

Management has noted this condition and has determined that the cost necessary to establish adequate segregation of duties is not justifiable at the current time.