

SPRINGHILL CITY COURT

Springhill, Louisiana

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

FINANCIAL STATEMENTS

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the 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 FEB 09 2000

Jim H. Stevens, Jr. & Company, L.L.P.
Certified Public Accountants
Springhill, Louisiana 71075

SPRINGHILL CITY COURT

Table of Contents June 30, 1999

	<u>Page</u>
Independent Auditor's Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	2
<i>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund Type</i>	3
Notes to Financial Statements.....	4-9
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings and Questioned Costs.....	12-14

Jim H. Stevens, Jr. & Company, L.L.P.
Certified Public Accountants

209 E. Church Street
Springhill, Louisiana 71075

Jim H. Stevens, Jr., CPA
Bill W. Smith, CPA
Dwight L. Pugh, CPA

Telephone (318) 539-9124
FAX (318) 539-9125
E-Mail stevens@sprhill.net


INDEPENDENT AUDITOR'S REPORT

To the Honorable C. A. Marvin, Judge
Springhill City Court
Springhill, Louisiana

We have audited the accompanying general purpose financial statements of Springhill City Court, as of June 30, 1999, and for the year then ended. These financial statements are the responsibility of the Springhill City Court's management. Our responsibility is to express an opinion on these 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 financial statement 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 Springhill City Court, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.


Certified Public Accountants

December 7, 1999

SPRINGHILL CITY COURT

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General Fund	Agency Fund	General Fixed Assets	June 30, 1999
Assets and Other Debits				
Cash	57,453	18,879		76,332
Prepaid Expenses	193			193
Due from Other Funds	2,210	122		2,332
Fixed Assets			44,177	44,177
Total Assets and Other Debits	<u>59,856</u>	<u>19,001</u>	<u>44,177</u>	<u>123,034</u>
Liabilities, Equity and Other Credits				
Liabilities				
Accounts Payable	2,960			2,960
Accrued Expenses	3,335	916		4,251
Deposits from Plaintiffs		13,151		13,151
Garnishments Collected		2,866		2,866
Due to Other Funds	264	2,068		2,332
Total Liabilities	<u>6,559</u>	<u>19,001</u>		<u>25,560</u>
Equity and Other Credits				
Investment in General Fixed Assets			44,177	44,177
Fund Balance:				
Unreserved/Undesignated	53,297			53,297
Total Equity and Other Credits	<u>53,297</u>		<u>44,177</u>	<u>97,474</u>
Total Liabilities, Equity and Other Credits	<u>59,856</u>	<u>19,001</u>	<u>44,177</u>	<u>123,034</u>

See accompanying notes to financial statements.

SPRINGHILL CITY COURT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Type For the Fiscal Year Ended June 30, 1999

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
Revenues	
Court Costs	93,368
Supervision Fees	16,018
Miscellaneous Income	704
Interest	979
Total Revenues	<u>111,069</u>
Expenditures	
Current:	
General Government	118,521
Capital Outlay:	
Current Expenditures	6,449
Debt Service:	
Principal Retirement	427
Interest	30
Total Expenditures	<u>125,427</u>
Excess (Deficiency) of Revenues Over Expenditures	(14,358)
Fund Balance at Beginning of Year	<u>67,655</u>
Fund Balance at Ending of Year	<u><u>53,297</u></u>

SPRINGHILL CITY COURT

Notes to Financial Statements June 30, 1999

The Springhill City Court was created under authority of Revised Statute 13:1872, and includes the office of Ward Marshal, which was created as part of Springhill City Court under authority of Revised Statute 13:1872.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of Springhill City Court have been prepared in conformity with generally accepted accounting principles 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.

Reporting Entity. These financial statements include all funds and account groups over which the Court and Ward Marshal exercise control, authority, management, influence or accountability. Control by or influence by the Court was determined on the basis of authority to issue debt, election or appointment of the governing body, and general oversight responsibility.

The Springhill City Court is a potential component unit of the City of Springhill, Louisiana. However, the Springhill City Court is a separate reportable entity from the City of Springhill because it is essentially an autonomous unit. The Judge, an elected official, has the ability to exercise oversight responsibility regarding operations and accountability for fiscal matters. Although the Judge, Ward Marshal and two court clerks receive salaries from the City of Springhill, the Springhill City Court is otherwise financially independent of the City of Springhill, Louisiana.

Fund Accounting. The accounts of the Springhill City Court are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The account groups, on the other hand, are financial reporting devices designed to provide accountability for certain assets that are not recorded in the fund because they do not directly affect net expendable available financial resources and to provide accountability for long-term liabilities to be financed from the general fund. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and means by which spending activities are controlled. The following funds and account groups are used by the Court:

Government Fund –

General Fund. The General Fund is the general operating fund of Springhill City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds –

Agency Funds. Agency funds are used to account for assets held by Springhill City Court as an agent for other governmental departments, other organizations and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets and General Long-term Debt Account Groups:

General Fixed Assets and Long-term Liabilities. The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation has been provided on general fixed assets.

The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

General Long-term Debt. The General Long-term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund Types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by the General Fund. 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.

Budgets. A budget is not required to be adopted by the City Court.

Compensated Absences. The Court requires employees to use their vacation time within the calendar year or it is forfeited. Vacation time is vested and is paid to the employee upon termination. Sick pay is lost upon termination and, therefore, is not subject to accrual.

As of June 30, 1999, the liability for accrued vacation time is \$640, which is recorded in the General Fund.

Pension Plan. The Ward Marshal and court employees are covered by either the Municipal Police Employees' Retirement System or the Municipal Employees' Retirement System. Funding for these individuals are accounted for by the City of Springhill, Louisiana.

The Judge is covered under the Louisiana State Employees' Retirement System.

Total Columns on Combined Statements. Total columns on the 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 or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements June 30, 1999

2. DEPOSITS FROM PLAINTIFFS AND GARNISHMENTS COLLECTED

The deposits from plaintiffs and garnishments reflected in the balance sheet as liabilities in agency funds include unknown amounts, which have not been disbursed to the Springhill City Court in past years. Management is in the process of computing such amounts for disbursement to the general fund.

3. CASH

At June 30, 1999, the carrying amount of the Court's cash deposits totals \$76,332, and the bank balance is \$93,042. The deposits are in demand deposit accounts. Under state law, the deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 1999, the Court has \$93,042, of which all is secured by federal deposit insurance.

The Court's deposits are categorized to give an indication of the level of risk assumed by the Court at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Court or its agent in the Court's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counter party's trust department or agent in the Court's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter party or by its trust department or agent but not in the Court's name.

<u>Collateral Description</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
FDIC Insurance	93,042	_____	_____	76,332	93,042
Totals	<u>93,042</u>	=====	=====	<u>76,332</u>	<u>93,042</u>

4. INTERFUND RECEIVABLES AND PAYABLES

A summary of the inter-fund receivables and payables by fund at June 30, 1999, is presented below:

	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General Fund	2,210	264
Civil Fund #1		1,411
Civil Fund #2		373
Ward Marshall Fund		284
Worthless Checks	122	
Totals	<u>2,332</u>	<u>2,332</u>

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements June 30, 1999

5. CHANGES IN GENERAL FIXED ASSETS

General fixed assets is comprised of office furnishings and equipment. The changes in general fixed assets are as follows:

Balance, July 1, 1998	45,618
Additions	6,449
Deletions	<u>(7,890)</u>
Balance, June 30, 1999	<u>44,177</u>

6. LEASES

Operating lease:

The Court is obligated under a three-year lease, beginning July 1999, accounted for as an operating lease, for a vehicle for the Ward Marshal. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Court's account groups.

Under the terms of a similar lease the Court has expended \$5,405 for the year ended June 30, 1999, and is obligated under the new lease to pay \$5,404 for each of the next three years.

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 1999, the Springhill City Court was not a party in any lawsuits as plaintiff or defendant.

8. RETIREMENT COMMITMENTS

Louisiana State Employees' Retirement System

A. Plan Description

The Judge participates in the Louisiana State Employees' Retirement System ("LASERS"), a statewide single-employer public employee retirement system, providing retirement and other benefits for employees of the State and its various departments and agencies and their beneficiaries. All state employees except certain classes of *employees specifically excluded by Statute* 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.

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

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements

June 30, 1999

8. RETIREMENT COMMITMENTS (Continued)

Louisiana State Employees' Retirement System

A. Plan Description (Continued)

The basic annual retirement benefit for substantially all members is equal to 2.5% of average compensation multiplied by the number of years-creditable service plus \$300.00. Average compensation is defined as the member's average annual earned compensation for the thirty-six consecutive months of employment during which the member's aggregate earned compensation was greatest. Judges, 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 benefit 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.

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 calling the LASERS office at 1-800-256-3000.

B. Funding Policy

Members are required by the State to contribute 11.5% of their annual covered salary, and the Court is required to contribute 13.0% of the annual covered salary. The contribution rates are covered by Louisiana Revised Statute 11:103. The required contribution for the years ended June 30, 1998, was \$3,012. The required contribution was made.

9. ECONOMIC DEPENDENCY

All revenues collected for Court Costs are received from the Springhill Ward Marshal's office. These monies are expended in the operation of the office of the Springhill City Court.

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements
June 30, 1999

10. SUBSEQUENT EVENT, CONTINGENCY, YEAR 2000 COMPUTER GLITCH:

Management is aware of the year 2000 computer problem (Y2K) and has taken the following steps:

- A. Assessment of the problem indicates a potential for shut down in the following areas:
 - (1) General ledger account system
 - (2) Court accounting system
- B. Management has replaced all the computers with new computers, which are Y2K compliant.
- C. Management has upgraded the accounting system to a later version, which is Y2K compliant.
- D. Management has determined that the Civil and Criminal Court Programs are both Y2K compliant and will not need to be changed.

11. COMPENSATION FOR THE JUDGE AND MARSHAL IS AS FOLLOWS:

John M. Robinson, Judge	24,289
Morris McClary, Marshal	<u>15,576</u>
Total	<u>39,865</u>

Jim H. Stevens, Jr. & Company, L.L.P.
Certified Public Accountants

209 E. Church Street
Springhill, Louisiana 71075

Jim H. Stevens, Jr., CPA
Bill W. Smith, CPA
Dwight L. Pugh, CPA

Telephone (318) 539-9124
FAX (318) 539-9125
E-Mail stevens@sprhill.net

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable C. A. Marvin, Judge
Springhill City Court
Springhill, Louisiana

We have audited the general purpose financial statements of the Springhill City Court as of and for the year ended June 30, 1999, and have issued our report thereon dated December 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Springhill City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which, could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-3, 98-4 and 98-5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Springhill City Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Springhill City Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1, 99-2, 99-3, 99-4, 99-5, 99-6 and 99-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in item 99-7 is a material weakness.

This report is intended for the information of the legislative auditor, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

John H. Stevens, Jr. & Company, L.L.P.
Certified Public Accountants

December 7, 1999

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of Report issued:

Unqualified

Internal control over financial reporting:

No

Material weaknesses identified?

Yes

- 99-1:** The condition at June 30, 1998, that the audit could not be completed timely because of the books being in disarray has been corrected.
- 99-2:** The condition at June 30, 1998, regarding payroll deposits not being posted to relieve the liability accounts has now been corrected.
- 99-3:** The condition noted whereby a relative of one of the clerk's was paid for contract labor has been stopped.
- 99-4:** Payment of the clerks based on a fee per case and also payment of Christmas bonuses has now been stopped.
- 99-5:** Unsecured public funds in the local dispository bank has now been corrected with a pledge of securities.
- 99-6:** We noted some checks which were being recorded out of sequence and also noted some duplicate check numbers in the general ledger.
- 99-7:** We found that the agency funds had erroneous balances in profit and loss. This was caused by unreconciled differences between the general ledger and detailed subsidiary ledgers.

Federal Awards

Not Applicable

Section II - Financial Statement Findings

- 99-1:** Condition: The audit for the year ended June 30, 1998 could not be completed by the December 31, 1998, deadline due to the books being in disarray, and the books and bank records having to be reconstructed.
- This situation was corrected for the year ended June 30, 1999 by the Judge hiring a contract bookkeeper to maintain the general ledger and reconcile the banks.
- Recommendation: We make no recommendation.
- Management's response: No response is required.
- 99-2:** Condition: As reported for the year ended June 30, 1996 and the year ended June 30, 1998, payroll deposits are not being posted in such a way that the tax liabilities are being relieved when paid. During the year ended June 30, 1999, this condition was corrected by the person that was hired to maintain the accounting records.

(Continued)

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1999

Section II - Financial Statement Findings (continued)

- Recommendation: We make no recommendation.
- Management's response: No response is required.
- 99-3:** Condition: It was reported for the year ended June 30, 1998, which also included the audit for the year ended June 30, 1997, that one of the clerk's daughters, was being paid for *contract labor in the office during the year ended June 30, 1997*. After bringing this to management's attention in our prior year report, this procedure has stopped, and we found no recurrence.
- Recommendation: We make no recommendation.
- Management's response: No response is required.
- 99-4:** Condition: As noted in the prior year report, the court clerks had been paid a \$2 fee and a Christmas bonus. This stopped after the issuance of our report for the year ended June 30, 1997, and has not recurred.
- Recommendation: We make no recommendation.
- Management's response: No response is required.
- 99-5:** Condition: We noted during the June 30, 1998 audit, that deposits in the local bank depository were unsecured in the amount of \$4,993. This condition has been corrected by a *pledge of additional securities by the bank*, however the deposit level has also fallen to a level fully insured by the Federal Deposit Insurance Company (FDIC).
- Recommendation: We make no recommendation.
- Management's response: No response is required.
- 99-6:** Condition: We noted some checks being written out of order and some duplicate check numbers. The checks written out of order were due to the court clerk's effort to date checks for items withheld from salaries on the last day of the month for which the salaries were incurred. The duplicate check numbers were caused apparently by *error in the checks which were preprinted by the bank*.

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1999

Section II - Financial Statement Findings (continued)

	Recommendation:	We recommend that the checks for payment of items withheld from salaries be dated the next month when the payments are actually made. We recommend a closer review of the preprinted checks for errors upon receipt from the bank.
	Management's response:	We concur with both of these recommendations and will implement these procedures immediately.
99-7:	Condition:	We found that the agency funds had erroneous balances in profit and loss accounts. By nature, agency funds are custodial in nature and should never have a profit or loss. This was due to the detailed subsidiary ledgers not being reconciled to control accounts and those control accounts recorded on the general ledger. Also, certain items of income and expense were posted in these accounts that should have been posted in the general fund.
	Recommendation:	We recommend that for all agency funds, the system of posting the general ledger be changed so that the control totals for the subsidiary accounts will be reconciled to the general ledger. We further recommend that any receipts through these accounts, such as interest which is not to be disbursed to outsiders, be disbursed on a regular basis as income to the general fund. In like manner, we recommend that rare instances of expenditures for these funds, such as preprinted checks be reimbursed by the general fund.
	Management's response:	We concur with the recommendations made and will implement them as soon as possible.

Section III - Federal Award Findings and Questioned Costs Not applicable.