

SPRINGHILL CITY COURT

Springhill, Louisiana

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FINANCIAL STATEMENTS

June 30, 1998

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 4 1999~~

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

SPRINGHILL CITY COURT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable John M. Robinson, Judge
Springhill City Court
Springhill, Louisiana

We have audited the accompanying general purpose financial statements of Springhill City Court, as of June 30, 1998, 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, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.


Certified Public Accountants

February 13, 1999

SPRINGHILL CITY COURT

Combined Balance Sheet - All Fund Types and Account Groups June 30, 1998

	Governmental Fund Type	Fiduciary Fund Type	Account Groups	Totals (Memorandum Only)
	General Fund	Agency Funds	General Fixed Assets	June 30, 1998
Assets and Other Debits				
Cash	59,934	32,378		92,312
Due from other funds	12,509			12,509
Fixed assets		45,618		45,618
Amount to be provided for capital lease			427	427
Total assets and other debits	<u>72,443</u>	<u>32,378</u>	<u>45,618</u>	<u>150,866</u>
Liabilities, Equity and Other Credits				
Liabilities				
Accounts Payable	3,101			3,101
Accrued expenses	1,687	562		2,249
Due to other Governments				
Deposits from plaintiffs		14,474		14,474
Garnishments collected		4,833		4,833
Due to other Funds		12,509		12,509
Capital lease			427	427
Total liabilities	<u>4,788</u>	<u>32,378</u>	<u>427</u>	<u>37,593</u>
Equity and Other Credits				
Investment in general fixed assets			45,618	45,618
Fund balance:				
Unreserved/undesignated	67,655			67,655
Total equity and other credits	<u>67,655</u>		<u>45,618</u>	<u>113,273</u>
Total liabilities, equity and other credits	<u>72,443</u>	<u>32,378</u>	<u>45,618</u>	<u>150,866</u>

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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, 1998

	Governmental Fund Type
	General Fund
Revenues	
Court costs	104,248
Supervision fees	29,924
Interest	655
Total revenues	134,827
Expenditures	
Current:	
General government	111,849
Capital outlay:	
Current expenditures	2,453
Debt service:	
Principal retirement	4,691
Interest	784
Total expenditures	119,777
Excess of Revenues Over Expenditures	15,050
Other Financing Source	
Capital lease	
Excess of Revenues and Other Financing Sources Over Expenditures	15,050
Fund Balance at Beginning of Year	52,605
Fund Balance at End of Year	67,655

SPRINGHILL CITY COURT

Notes to Financial Statements June 30, 1998

The Springhill City Court was created under authority of Revised Statute 13:1872, and includes the office of Ward Marshall, 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 Marshall 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. The Springhill City Court is 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, 1998

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, 1998, the liability for accrued vacation time is \$1,082, which is recorded in the General Fund.

Pension Plan. The Ward Marshall 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, 1998

2. DEPOSITS FROM PLAINTIFFS AND GARNISHMENTS COLLECTED

The deposits from plaintiffs and garnishments reflected in the balance sheet as liabilities in agency 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, 1998, the carrying amount of the Court's cash deposits totals \$92,312, and the bank balance is \$104,993. 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, 1998, the Court has \$104,993, of which \$4,993 is not 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.

Collateral Description	1	2	3	Carrying Amount	Market Value
FDIC Insurance	100,000			100,000	100,000
Uninsured			4,993	4,993	4,993
Totals	100,000		4,993	104,993	104,993

4. INTERFUND RECEIVABLES AND PAYABLES

A summary of the inter-fund receivables and payables by fund at June 30, 1998, is presented below:

	Inter-fund Receivables	Inter-fund Payables
General Fund	12,509	
Civil Fund #1		12,425
Ward Marshall Fund		84
Totals	12,509	12,509

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements June 30, 1998

5. CHANGES IN GENERAL FIXED ASSETS

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

Balance, July 1, 1997	43,165
Additions	<u>2,453</u>
Balance, June 30, 1998	<u>45,618</u>

6. LEASES

Capital lease:

The Court records items under capital leases as assets and obligations in the accompanying financial statements. The following is a summary of future minimum lease payments at June 30, 1998:

1999	<u>457</u>
Total minimum lease payments	457
Less: amount representing interest	<u>30</u>
Present value of future minimum payments	<u>427</u>

Operating lease:

The Court is obligated under a two-year lease accounted for as an operating lease for a vehicle for the Ward Marshall. 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 the lease the Court has expended \$5,405 for the year ended June 30, 1998, and is obligated to pay an additional \$5,405 for the year ending June 30, 1999.

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 1998, the Springhill City Court was not a party in any lawsuits as plaintiff or defendant.

(Continued)

SPRINGHILL CITY COURT

Notes to Financial Statements
June 30, 1998

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.

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 year ended June 30, 1998, was \$3,523. The required contribution was made.

9. ECONOMIC DEPENDENCY

All revenues collected for Court Costs are received from the Springhill Ward Marshall'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, 1998

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

Management is aware of the year 2000 computer problem (Y2K) and is taking 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 determined that the present computers are not Y2K compliant and plans to replace them.
- C. Management has determined that the accounting system is not Y2K compliant and is evaluating what needs to be done.
- D. Management has determined that the Civil and Criminal Court Programs are both Y2K complaint and will not need to be changed.

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

John M. Robinson, Judge	27,102
Morris McClary, Marshall	<u>16,995</u>
Total	<u>44,097</u>

**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 John M. Robinson, 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, 1998, and have issued our report thereon dated February 13, 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 98-1 and 98-2.

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 98-1 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.

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

February 13, 1999

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1998

Section I - Summary of Auditor's Results

Financial Statements

Type of Report issued:

Unqualified

Internal control over financial reporting:

No

Material weaknesses identified?

Yes

- 98-1:** The audit for the year ended June 30, 1998, was not submitted to the legislative auditor's office on a timely basis.
- 98-2:** As noted in the audit for the year ended June 30, 1996, payroll deposits were still not posted to relieve amounts withheld in the general ledger.
- 98-3:** As noted in the compiled financial statements and report for the year ended June 30, 1997, one of the court clerk's children was being paid for contract labor in the office.
- 98-4:** As noted in the compiled financial statements and report for the year ended June 30, 1997, the court clerks were being paid a \$2 fee per civil case filed and were receiving Christmas bonuses.
- 98-5** As of June 30, 1998, the Court was holding unsecured bank deposits.

Federal Awards

Not Applicable

Section II - Financial Statement Findings

98-1: Condition:

The audit be could not be completed by the December 31, 1998, deadline. This was due to the books being in disarray, and had to be reconstructed, along with bank reconciliations for the two year period.

This situation was caused from several problems:

(1) The accounting was done on an old version of Quick Books, on which the books were not closed at year-end. This allowed posting to the prior year which should have been closed.

(2) The clerk that maintains the general ledger was out sick for several weeks, with a temporary employee posting the books.

(3) Shortly after the clerk returning to work, the program crashed. The computer technician who sold the program could not restore the data from backup, therefore, he installed a later version of the program and rekeypunched several months. We found where checks and deposits were recorded wrong, posted twice or omitted. There were instances where the beginning balances were changed to force the books to balance.

(Continued)

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1998

Section II - Financial Statement Findings (continued)

98-1: Condition: (continued) (4) All this occurred during a period in which the court's work load increased 50% or more, but with no increase in staff. The clerk, who is limited in bookkeeping knowledge, was completely overwhelmed.

Although there were many and various errors noted, we discovered no activities that we perceived to be fraudulent in nature.

Recommendation: We recommend a closer monitoring of all general ledger activities and bank reconciliations by management.

Management's response: We now recognize the problem which exists with the court's records. We are evaluating our options, including the possibility of using our auditor to post the books for us or review the postings and bank reconciliations for accuracy on a regular basis.

We further plan to have an annual audit next year, instead of a compilation, to assure the records have improved.

98-2: Condition: As reported for the year ended June 30, 1996, payroll deposits are still not posted in such a way that the tax liabilities are being relieved when paid. Payroll deposits are being posted to an expense account when they are paid.

Recommendation: We continue to recommend that tax deposits be posted against the account where the withholding is posted.

Management's response: We did not fully understand the 1996 recommendation. We will communicate with the auditors to insure this situation is corrected in the future.

98-3: Condition: As reported in the June 30, 1997 compilation, Kristi Means, one of the clerk's daughters, was being paid for contract labor in the office. However, after the issuance of our report for June 30, 1997, this procedure has stopped.

Recommendation: We make no recommendation.

Management's response: This was stopped immediately and will not recur.

(Continued)

SPRINGHILL CITY COURT

Schedule of Findings and Questioned Costs June 30, 1998

Section II - Financial Statement Findings (continued)

- 98-4:** Condition: As noted in the June 30, 1997 compilation, the court clerks were being paid a \$2 fee and a Christmas bonus. This stopped after the issuance of our report for June 30, 1997.
- Recommendation: We make no recommendation.
- Management's response: This was stopped immediately and will not happen again.
- 98-5:** Condition: As noted in the notes to the financial statements, there was \$4,993 in deposits which were unsecured by Federal Deposit Insurance Company (FDIC) or by pledge of qualifying securities.
- Recommendation: We recommend the pledge of securities by the financial institution to cover this deficiency.
- Management's response: We concur. This will be done immediately.

Section III - Federal Award Findings and Questioned Costs

Not applicable.