

CITY COURT OF MORGAN CITY

Morgan City, Louisiana

Financial Report

Year Ended December 31, 2019

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

WWW.KCSRPCAS.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable Kim P. Stansbury, Judge
City Court of Morgan City
Morgan City, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City Court of Morgan City (hereinafter "Court"), a component unit of the City of Morgan City, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules of employer's share of net pension liability and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 34-35, schedule of employer's share of net pension liability on page 36, schedule of employer contributions on page 37, or notes to required supplementary information on pages 38-40 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Court has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2020, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Court's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
August 3, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 564,872
Accounts receivable	2,500
Prepaid expenses	2,167
Capital assets, net of accumulated depreciation	<u>12,974</u>
Total assets	<u>582,513</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>20,494</u>
LIABILITIES	
Current liabilities:	
Accounts payable	6,598
Payroll taxes payable	3,741
Due to other governments	2,975
Noncurrent liabilities:	
Net pension liability	<u>146,202</u>
Total liabilities	<u>159,516</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>21,546</u>
NET POSITION	
Net investment in capital assets	12,974
Restricted for special programs	527,043
Unrestricted (deficit)	<u>(118,072)</u>
Total net position	<u>\$ 421,945</u>

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

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Statement of Activities
Year Ended December 31, 2019

Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	<u>\$ 676,842</u>	<u>\$ 183,658</u>	<u>\$ 561,782</u>	\$ 68,598
		General revenues:		
				<u>157</u>
			Change in net position	68,755
			Net position - January 1, 2019	<u>353,190</u>
			Net position - December 31, 2019	<u>\$ 421,945</u>

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

FUND FINANCIAL STATEMENTS

MAJOR FUNDS DESCRIPTIONS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SPECIAL REVENUE FUND

Juvenile Services Center

To account for the receipt and use of fines collected for the operation and maintenance of the Juvenile Services Center.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Balance Sheet
Governmental Funds
December 31, 2019

	General	Juvenile Services Center	Total Governmental Funds
ASSETS			
Assets:			
Cash	\$ 40,329	\$ 524,543	\$ 564,872
Due from other governments	-	2,500	2,500
Prepaid expenditures	2,167	-	2,167
Total assets	\$ 42,496	\$ 527,043	\$ 569,539
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,598	\$ -	\$ 6,598
Payroll taxes payable	3,741	-	3,741
Due to other governments	2,975	-	2,975
Total liabilities	13,314	-	13,314
Fund balances:			
Nonspendable	2,167	-	2,167
Restricted	-	527,043	527,043
Unassigned	27,015	-	27,015
Total fund balances	29,182	527,043	556,225
Total liabilities and fund balances	\$ 42,496	\$ 527,043	\$ 569,539

(continued)

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Balance Sheet (continued)
Governmental Funds
December 31, 2019

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balances for all governmental funds at December 31, 2019		\$ 556,225
Cost of capital assets	\$ 191,533	
Less: Accumulated depreciation	<u>(178,559)</u>	12,974
Deferred outflows of resources related to net pension liability		20,494
Net pension liability		(146,202)
Deferred inflows of resources related to net pension liability		<u>(21,546)</u>
Net position of governmental activities at December 31, 2019		<u>\$ 421,945</u>

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

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2019

	General	Juvenile Services Center	Total Governmental Funds
Revenues:			
Fees, charges and commissions -			
Court costs, fees, and fines	\$ 139,936	\$ 43,220	\$ 183,156
Grants	-	112,500	112,500
Intergovernmental	407,282	42,000	449,282
Other income	502	-	502
Interest income	30	127	157
Total revenues	547,750	197,847	745,597
Expenditures:			
Current-			
General government-			
Operating services	511,271	115,542	626,813
Materials and supplies	22,803	32,960	55,763
Travel and other charges	3,676	8,914	12,590
Total expenditures	537,750	157,416	695,166
Net change in fund balances	10,000	40,431	50,431
Fund balances, beginning	19,182	486,612	505,794
Fund balances, ending	\$ 29,182	\$ 527,043	\$ 556,225

(continued)

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Governmental Funds
Year Ended December 31, 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities

Total net change in fund balances for the year ended December 31, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 50,431
Depreciation expense for the year ended December 31, 2019	(4,856)
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability:	
Decrease in pension expense	<u>23,180</u>
Total change in net position for the year ended December 31, 2019 per Statement of Activities	<u>\$ 68,755</u>

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

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Statement of Fiduciary Net Position
December 31, 2019

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 352,498</u>
LIABILITIES	
Due to others	<u>\$ 352,498</u>

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

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements

INTRODUCTION

As provided by LSA-RS 13:1871 et seq, the City Court of Morgan City (the “Court”) accounts for the operation of the Court’s office. The City Court Judge is elected for a six-year term.

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

As the governing authority of the City, for reporting purposes, the City of Morgan City is the financial reporting entity. The financial reporting entity consists of the primary government (City), organizations for which the primary government is financially accountable and 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 Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the City of Morgan City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

- 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 the Court with office space and pays the salaries and benefits of Court employees, the Court was determined to be a component unit of the City of Morgan City, 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 the City, or other governmental units that comprise the financial reporting entity.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the 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.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Court as a whole. These statements include all the financial activities of the Court. Information contained in these statements 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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the Court's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) court costs, fees, and fines paid by the recipients of services offered by the Court, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the statement of fiduciary net position at the fund financial statement level.

Fund Financial Statements

The 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 Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Court are classified into two categories: governmental and fiduciary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or its total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund and Juvenile Services Center Special Revenue Fund of the Court are considered to be major funds.

The funds of the Court are described below:

Governmental Funds –

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

General Fund – This fund is the primary operating fund of the Court and it accounts for the operations of the Court’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Court’s policy.

Juvenile Services Center Fund – This fund is used to account for the receipt and use of fines collected for the operation and maintenance of the Juvenile Service Center.

Fiduciary Funds –

Fiduciary fund reporting focuses on net position and changes in net position. The only funds accounted for in this category by the Court are agency funds. The agency funds account for assets held by the Court as an agent for litigants in civil suits, cash bonds for criminal proceedings, and fees held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the accrual basis of accounting.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded with the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of a period.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The types of transactions reported as program revenues for the Court are reported in two categories: 1) charges for services and 2) operating grants and contributions.

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

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Court.

The Court has established the policy of including all short-term, highly liquid investments with maturities of 90 or fewer days in cash and cash equivalents. Under state law, the Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Court's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 or fewer days, they are classified as cash equivalents.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. 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 Court maintains a threshold level of \$500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. 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. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated useful lives</u>
Office furniture	5 years
Equipment	5 years
Improvements	10-20 years

Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components

1. Net investment in capital assets - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, certificates of indebtedness, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Fund financial statements

Fund balance for the Court's governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal decision of the Judge, which is the highest level of decision-making authority.
4. Assigned - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned - amounts that are available for any purpose; these amounts can be reported only in the Court's General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Court considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Court considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Judge has provided otherwise in commitment or assignment actions.

E. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

F. Revenues, Expenditures, and Expenses

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Revenues and fees, charges and commissions for services are recorded when the Court is entitled to the funds.

Interest on interest-bearing deposits is recorded or accrued as revenue when earned. Substantially all other revenues are recorded when received.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified by character.

G. Pensions

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

H. 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 and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2019, the Court has cash and cash equivalents (book balances) totaling \$912,384.00 as follows:

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

	Governmental Fund Types	Fiduciary Fund Type	Total
Demand deposits	\$ 564,872	\$ 352,498	\$ 917,370

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security 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 bank. These securities are held in the name of the Court or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2019 are as follows:

Bank balances	\$ 995,914
Federal deposit insurance	\$ 500,022
Uninsured and collateralized by pledged securities	495,892
Total FDIC insurance and pledged securities	\$ 995,914

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Court's deposits may not be recovered or the Court may not be able to recover collateral securities that are in the possession of an outside party. The Court does not have a policy to monitor or reduce exposure to custodial credit risk. Deposits in the amount of \$495,892 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Court's name or uninsured and uncollateralized. Even though the pledged securities are not held in the name of the Court, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Court that the depository financial institution has failed to pay deposited funds upon demand.

(3) Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Governmental activities:				
Furniture, fixtures, and equipment	\$ 191,533	\$ -	\$ -	\$ 191,533
Less: accumulated depreciation	173,703	4,856	-	178,559
Net capital assets	\$ 17,830	\$ (4,856)	\$ -	\$ 12,974

Depreciation expense of \$4,856 was charged to the general government function.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(4) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Court is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Juvenile Services Center	Total Governmental Funds
Fund balances			
Nonspendable -			
Prepaid items	\$ 2,167	\$ -	\$ 2,167
Restricted for -			
Special programs	-	527,043	527,043
Unassigned	27,015	-	27,015
Total fund balances	\$ 29,182	\$ 527,043	\$ 556,225

(5) Changes in Agency Fund Balances

A summary of changes in agency fund unsettled deposits follows:

	Fines and Costs Fund	Civil Court Fund	Bond Fund	Concursus Fund	Indigent Defender Fund	Total
Balance 1/1/2019	\$ 6,015	\$ 318,731	\$ 47,428	\$ 889	\$ 25,623	\$ 398,686
Additions	400,292	135,208	446,029	34,368	21,069	1,036,966
Reductions	(401,667)	(123,335)	(477,192)	(34,368)	(46,592)	(1,083,154)
Balance 12/31/2019	\$ 4,640	\$ 330,604	\$ 16,265	\$ 889	\$ 100	\$ 352,498

(6) Intergovernmental Transfers – City of Morgan City

Louisiana Revised Statutes 13:2005.B requires funds accumulated in the operations and maintenance account in excess of \$50,000 to be transferred to the General Fund of the City of Morgan City and shall be used for the purposes of construction and maintenance of the Court and related facilities. The balance in the operations and maintenance account at December 31, 2019 did not exceed the statutory limit of \$50,000; therefore, a transfer to the City of Morgan City is not required.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(7) On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires the Court to report on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. The basis for recognizing the revenues and expenditure payments is that the actual contribution is made by the City of Morgan City and not by the Court. In 2019, the City paid salaries and benefits, which include payments to the Parochial Employees' Retirement System and Louisiana State Employees' Retirement System (LASERS), to and for the Court Clerk, City Judge, Deputy Clerks, and Probation Officers. On-behalf payments recorded as revenue and expenditures in the general fund financial statements for the year ended December 31, 2019 totaled \$407,282.

(8) Retirement

The Court's judge participates in the Louisiana State Employees' Retirement System (LASERS). LASERS is a cost-sharing multiple-employer defined benefit pension plan established by Section 401 of Title 11 of the Louisiana Revised Statutes (LA R.S. 11:401) to provide retirement allowances and other benefits to eligible officers, employees, and their beneficiaries. The employer pensions schedules for the Louisiana State Employees' Retirement System are prepared using the accrual basis of accounting.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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 vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of creditable service, and at age 60 upon completing 10 years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

Disability Benefits

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching retirement age, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation or 100% of the final average compensation if the injury was the result of an intentional act of violence.

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60%

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

of final average compensation, regardless of years of credited service or 100% of final average compensation if the injury was an intentional act of violence. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

Survivor Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

A Hazardous Duty Services Plan member's surviving spouse and minor or handicapped or mentally incapacitated child or children are entitled to survivor benefits of 80% of the member's final average compensation if the member was killed in the line of duty. If the member dies in the line of duty as a result of an intentional act of violence, survivor benefits may be increased to 100% of the members final average compensation.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, or 100% of final average compensation if the injury was the result of an intentional act of violence regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Contributions

The employer contribution rate is established annually under La. R.S. 11:401-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. The rates for the year ended June 30, 2019 for the various plans are as follows:

Plan	Plan Status	Employer Rate
Appellate Law Clerks	Closed	37.9%
Appellate Law Clerks hired on or after 7/01/06	Open	37.9%
Alcohol Tobacco Control	Closed	31.4%
Bridge Police	Closed	36.7%
Bridge Police hired on or after 7/01/06	Closed	36.7%
Corrections Primary	Closed	33.5%
Corrections Secondary	Closed	37.7%
Harbor Police	Closed	7.1%
Hazardous Duty	Open	38.5%
Judges hired before 1/1/2011	Closed	40.1%
Judges hired after 12/31/2010	Closed	39.0%
Judges hired on or after 7/01/15	Open	39.0%
Legislators	Closed	41.6%
Optional Retirement Plan (ORP) before 7/01/06	Closed	37.9%
Optional Retirement Plan (ORP) on or after 7/01/06	Closed	37.9%
Peace Officers	Closed	36.7%
Regular Employees hired before 7/01/06	Closed	37.9%
Regular Employees hired on or after 7/01/06	Closed	37.9%
Regular Employees hired on or after 1/1/11	Closed	37.9%
Regular Employees hired on or after 7/1/15	Open	37.9%
Special Legislative Employees	Closed	43.6%
Wildlife Agents	Closed	46.3%
Aggregate Rate		37.9%

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

The agency's contractually required composite contribution rate for the year ended December 31, 2019 was 41.0% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Court were \$20,827 for the year ended December 31, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Court reported a liability of \$146,202 for its proportionate share of the LASERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The Court's proportion of the net pension liability was based on a projection of the Court's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Court's proportion was 0.00202%, which was a decrease of .000130% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Court recognized a pension benefit of \$2,353 in its activities.

At December 31, 2019, the Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 898	\$ 304
Change of assumptions	1,253	-
Net differences between projected and actual earnings on pension plan investments	5,051	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	21,242
Employer contributions subsequent to the measurement date	<u>13,292</u>	<u>-</u>
Total	<u>\$ 20,494</u>	<u>\$ 21,546</u>

Deferred outflows of resources of \$13,292 related to pensions resulting from Court's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

<u>Year</u>	
2020	\$ (16,157)
2021	(1,470)
2022	1,390
2023	<u>1,893</u>
	<u>\$ (14,344)</u>

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the Schedule of Pension Amounts by Employer due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

This section intentionally left blank.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Valuation Date	June 30, 2019																		
Actuarial Cost Method	Entry Age Normal																		
Expected Remaining Service Lives	2 years																		
Investment Rate of Return	7.60% per annum, net of investment expenses																		
Inflation Rate	2.5% per annum																		
Mortality Rates	<p>Non-disabled members - Mortality rates for 2019 were based on the RP-2014 Health Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis</p> <p>Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2014-2018) experience study of the System's members for 2019.																		
Salary Increases	<p>Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Member Type</th> <th style="text-align: center; border-bottom: 1px solid black;">Lower Range</th> <th style="text-align: center; border-bottom: 1px solid black;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.2%</td> <td style="text-align: center;">13.0%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.5%</td> <td style="text-align: center;">14.0%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">14.0%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">14.0%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.2%	13.0%	Judges	2.8%	5.3%	Corrections	3.5%	14.0%	Hazardous Duty	3.8%	14.0%	Wildlife	3.8%	14.0%
Member Type	Lower Range	Upper Range																	
Regular	3.2%	13.0%																	
Judges	2.8%	5.3%																	
Corrections	3.5%	14.0%																	
Hazardous Duty	3.8%	14.0%																	
Wildlife	3.8%	14.0%																	
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

The investment rate of return was 7.60%, which was a .05% decrease from the rate used as of June 30, 2018. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2019. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	0.24%
Domestic equity	4.83%
International equity	5.83%
Domestic fixed income	2.79%
International fixed income	4.49%
Alternative investments	8.32%
Risk Parity	5.06%
Total Fund	6.09%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%, which was a .05% decrease from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

	1.00% Decrease 6.60%	Current Discount Rate 7.60%	1.00% Increase 8.60%
Employer's proportionate share of the net pension liability	<u>\$ 184,526</u>	<u>\$ 146,202</u>	<u>\$ 113,832</u>

Pension Plan Fiduciary Net Positions

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

Payables to the Pension Plan

The Court recorded accrued liabilities to LASERS for the year ended December 31, 2019, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts payable. The balance due to LASERS as of December 31, 2019 is \$5,179.

(9) Compensation and Other Payments to Chief Officer

Act 706 of the 2014 Legislative Session amended R.S. 24:513(A) requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Expenses paid to Judge Kim Stansbury for the year ended December 31, 2019 are as follows:

Wages	\$ 49,551
Benefits - Retirement	20,909
Wages and benefits paid by the City of Morgan City on behalf of the City Court of Morgan City	50,747
Reimbursements - Conference registration	1,225
Reimbursements - Dues	700
Reimbursements - Lodging	973
Reimbursements - Meals	531
Reimbursements - Travel	374
	<u>\$ 125,010</u>

(10) Risk Management

The Court is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Court's primary government, the City of Morgan City, has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss.

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended December 31, 2019. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years. The Court has made no contributions to the premiums on the policy during the year ended December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Positive (Negative)
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$ 130,000	\$ 134,000	\$ 179,986	\$ 45,986
Interest income	25	20	30	10
Total revenues	<u>130,025</u>	<u>134,020</u>	<u>180,518</u>	<u>46,498</u>
Expenditures:				
Current-				
General government-				
Operating services	90,000	115,551	103,989	11,562
Materials and supplies	25,000	25,000	22,803	2,197
Travel and other charges	6,000	6,000	3,676	2,324
Capital outlay	5,000	5,000	-	5,000
Total expenditures	<u>126,000</u>	<u>151,551</u>	<u>130,468</u>	<u>21,083</u>
Net change in fund balance	4,025	(17,531)	50,050	67,581
Fund balance, beginning	<u>19,182</u>	<u>19,182</u>	<u>54,887</u>	<u>35,705</u>
Fund balance, ending	<u>\$ 23,207</u>	<u>\$ 1,651</u>	<u>\$ 104,937</u>	<u>\$ 103,286</u>

See notes to required supplementary information.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Budgetary Comparison Schedule
Juvenile Services Center Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$ 90,000	\$ 90,000	\$ 43,220	\$ (46,780)
Intergovernmental	-	-	42,000	\$ 42,000
Interest income	-	-	127	127
Grants	-	-	112,500	112,500
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>197,847</u>	<u>107,847</u>
Expenditures:				
Current-				
General government-				
Operating services	130,000	170,000	115,542	54,458
Materials and supplies	-	-	32,960	(32,960)
Travel and other charges	-	-	8,914	(8,914)
Total expenditures	<u>130,000</u>	<u>170,000</u>	<u>157,416</u>	<u>12,584</u>
Net change in fund balance	(40,000)	(80,000)	40,431	120,431
Fund balance, beginning	<u>486,612</u>	<u>486,612</u>	<u>486,612</u>	-
Fund balance, ending	<u>\$ 446,612</u>	<u>\$ 406,612</u>	<u>\$ 527,043</u>	<u>\$ 120,431</u>

See notes to required supplementary information.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Schedule of Employer's Share of Net Pension Liability
Year Ended December 31, 2019

Plan Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.002500%	\$ 186,181	\$ 46,357	401.62%	62.66%
2016	0.002840%	\$ 223,091	\$ 48,085	463.95%	57.73%
2017	0.002840%	\$ 199,832	\$ 47,852	417.60%	62.54%
2018	0.002150%	\$ 146,901	\$ 43,290	339.34%	64.30%
2019	0.002020%	\$ 146,202	\$ 38,531	379.44%	62.90%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to required supplementary information.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Schedule of Employer Contributions
Year Ended December 31, 2019

Fiscal Year Ended Dec 31	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	S 19,058	\$ 19,058	\$ -	\$ 48,085	39.63%
2016	S 18,303	\$ 18,303	\$ -	\$ 48,077	38.07%
2017	S 17,053	\$ 17,053	\$ -	\$ 43,656	39.06%
2018	S 16,423	\$ 16,423	\$ -	\$ 40,956	40.10%
2019	S 20,827	\$ 20,827	\$ -	\$ 50,139	41.54%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to required supplementary information.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Required Supplementary Information

(1) Budgetary Basis of Accounting

General Fund

The budget for the General Fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

Juvenile Services Center Fund

The budget for the Juvenile Services Center Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

(2) Budgeting and Budgetary Accounting

The Court follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is prepared and submitted to the City Court Judge for the fiscal year prior to the beginning of each fiscal year.
2. If proposed expenditures exceed \$500,000, a summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called, if required.
3. If required, a public hearing is held on the proposed budget at least ten days after publication of the call for a hearing.
4. After the holding of the public hearing, if required, and completion of all action necessary to finalize and implement the budget, the budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Required Supplementary Information (continued)

(3) Non-GAAP Reporting Reconciliation

Budgetary amounts adopted by the Court for the General Fund do not include on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. These on-behalf payments are reflected as revenues and expenditures in the Court's financial statements as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Also, probation fees received by the Court are reported in the financial statements as Due to the City of Morgan City as reimbursement of salaries and related benefits. For budgetary purposes, probation fees are included as a component of fees, charges and commissions. Additionally, budget amounts do not include the residual transfer of accumulated excess to the City of Morgan City in accordance with Louisiana Revised Statute 13:2005(B).

Actual amounts for the General Fund are reconciled on a non-GAAP basis for comparison to budget as follows:

	<u>As Reported</u>	<u>Adjustment to Budgetary Basis</u>	<u>Non-GAAP Basis</u>
Revenues:			
Fees, charges & commissions	\$ 139,936	\$ 40,050	\$ 179,986
Intergovernmental	<u>407,282</u>	<u>(407,282)</u>	<u>-</u>
Total	<u>\$ 547,218</u>	<u>\$ (367,232)</u>	<u>\$ 179,986</u>
Expenditures:			
General government			
Operating services	<u>\$ 511,271</u>	<u>\$ (407,282)</u>	<u>\$ 103,989</u>

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Notes to Required Supplementary Information (continued)

(5) Pension Plan

A. Changes of Benefit Terms

There were no changes of benefit terms

B. Changes of Assumptions

Fiscal Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.75%	7.75%	3.00%	3	3.0% - 5.5%
2016	7.75%	7.75%	3.00%	3	3.0% - 5.5%
2017	7.70%	7.70%	2.75%	3	2.8% - 5.3%
2018	7.65%	7.65%	2.75%	3	2.8% - 5.3%
2018	7.60%	7.60%	2.50%	2	2.8% - 5.3%

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
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Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

WWW.KCSRPCAS.COM

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

To the Honorable Kim P. Stansbury, Judge
City Court of Morgan City
Morgan City, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Morgan City (hereinafter "Court"), a component unit of the City of Morgan City, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and have issued our report thereon dated August 3, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Court's Response to Findings

The Court's responses to the findings identified in our audit are described in the accompanying corrective action plan for current audit findings. The Court's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
August 3, 2020

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Schedule of Audit Results and Findings
Year Ended December 31, 2019

Part I. Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued on financial statements:

Opinion Unit	Type of Opinion
Governmental activities	Unmodified
Major funds:	
General	Unmodified
Juvenile Services Center	Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	✓	yes	no
Significant deficiency(ies) identified?	_____	yes	✓ _____ none reported

3. Noncompliance material to the financial statements? _____ yes ✓ _____ no

Other

4. Management letter issued? _____ yes ✓ _____ no

Part II. Findings reported in accordance with *Government Auditing Standards*:

A. Internal Control –

2019-001 - Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Court's internal control over financial reporting includes those policies and procedures that pertain to the Court's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended December 31, 2019

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

2019-002 – Financial Reporting

Year Initially Occurring: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The Court's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance –

No items are reported under this section.

Part III. Findings and questioned costs reported in accordance with the Uniform Guidance

Not applicable

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

A. Internal Control –

2018-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2019-001.

2018-002 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2019-002.

2018-003 – Budget Variance

CONDITION: The Court incurred budget variances in excess of 5% in the General Fund and Juvenile Services Fund.

RECOMMENDATION: We recommend that the Court periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statutes.

CURRENT STATUS: The condition did not reoccur.

B. Compliance –

No findings were reported under this section.

C. Management Letter –

There were no prior management letter items.

CITY COURT OF MORGAN CITY
Morgan City, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended December 31, 2019

A. Internal Control –

2019-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not applicable.

2019-002 – Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The Court has determined that it would be more cost effective to outsource the preparation of the Court's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

City Court of Morgan City

Statewide Agreed-Upon Procedures

Fiscal period January 1, 2019 through December 31, 2019

KOLDER, SLAVEN & COMPANY, LLC

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C. Burton Kolder, CPA*
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WWW.KCSRPCAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

City Court of Morgan City, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City Court of Morgan City (hereinafter "Court") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019, as required by the *Louisiana Governmental Audit Guide*. The Court's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to attestation engagements. The sufficiency of these procedures is solely the responsibility of the Court and LLA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The Court does not have written policies and procedures that address the functions noted above.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Court does not have written policies and procedures that address the functions noted above.

c) **Disbursements**, including processing, reviewing, and approving.

The Court does not have written policies and procedures that address the functions noted above.

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The Court does not have written policies and procedures that address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Court does not have written policies and procedures that address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Court does not have written policies and procedures that address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The Court does not have written policies and procedures that address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The Court does not have written policies and procedures that address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The Court does not have written policies and procedures that address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Court does not have written policies and procedures that address the functions noted above.

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

The Court does not have written policies and procedures that address the functions noted above.

Board or Finance Committee

The Court does not convene a board or finance committee, as the Court is administered by an independently elected official responsible for the oversight of the entity. Accordingly, these procedures are not applicable.

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained a listing of bank accounts and management's representation that the listing is complete. Selected the Court's main operating account and randomly selected four accounts from the listing. Randomly selected one month during the fiscal period.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

None of the reconciliations tested included evidence that the reconciliation was completed within two months of the statement date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

None of the reconciliations included evidence that a member of management who does not handle cash, post ledgers, or issue checks reviewed the reconciliations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

One of the five reconciliations tested reflected no evidence of researching reconciling items that have been outstanding for more than twelve months.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposit sites and management's representation that the listing is complete. Selected all three deposit sites.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations and management's representation that the listing is complete. There is only one collection location for each deposit site. All three collection locations were selected.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees responsible for collecting cash share drawers/registers at one of the locations tested.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees responsible for collecting cash is also responsible for preparing the deposit at two locations tested, without another employee/official reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions were found as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions were found as a result of this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions were found as a result of this procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

Randomly selected two deposit dates for each of the five bank accounts selected for procedure #3 above.

- a) Observe that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

One of the ten deposits tested was not made within one business day of receipt at the collection location.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

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

Obtained a listing of locations that process payments and management's representation that the listing is complete. Selected the only two locations where payments are processed.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of employees involved nonpayroll purchases and inquired of employees regarding job duties.

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

Neither of locations tested had at least two employees involved in initiating a purchase request, approving a purchase, and making the purchase.

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

No exceptions were found as a result of this procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Employees responsible for processing payments are not prohibited from adding/modifying vendor files. Another employee does not periodically review changes to vendor files.

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

No exceptions were found as a result of this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Obtained the Court's nonpayroll disbursement transaction population and management's representation that the listing is complete. Randomly selected five transactions for each location.

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

No exceptions were found as a result of this procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were found as a result of this procedure.

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

Not applicable – The Court does not maintain any active credit cards, debit cards, fuel cards or p-cards.

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained a listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete. Randomly selected five reimbursements.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were found as a result of this procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions were found as a result of this procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions were found as a result of this procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of this procedure.

Contracts

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Not applicable – The Court does not issue debt.

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice required by RS 24:523.1 was posted on the Court's premises, but not on its website.

Management's Response

The Assessor concurs with the exceptions and is working to address the deficiencies identified.

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the Court's management and the LLA and should not be used by anyone other than those specified parties. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
August 3, 2020