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ST. BERNARD PARISH CLERK OF COURT
CHALMETTE, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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

Release Date 2/2/05

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Annual Financial Statements
Year Ended June 30, 2004

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**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Management's Discussion and Analysis
Year Ended June 30, 2004

Our discussion and analysis of the St. Bernard Parish Clerk of Court's financial performance provides an overview of the financial activities as of and for the fiscal year ended June 30, 2004. Please read these comments in conjunction with the basic financial statements and the accompanying notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our auditor has provided assurance in his independent auditor's report that the basic financial statements are fairly stated in all material respects. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided on these reports.

Government Wide Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets reflects the financial position of the Clerk's office. The unrestricted fund balance for the General Fund as reflected in this statement consists of funds available for future spending to meet the needs of the Clerk's office. The Statement of Activities reflects the changes in net assets. Net assets, the difference between assets and liabilities, are one measure of the financial health or financial position of an entity. Over time, increases or decreases in net assets are one indicator of whether financial health is improving or deteriorating.

Fund Financial Statements

The Clerk of Court manages monies and maintains accounting records for several distinct and separate funds. The segregation of activity is based on the source of the monies and their designated purposes. Some funds are established as mandated by State law.

The Clerk of Court maintains governmental funds for basic office operations. Governmental funds focus on how money flows into and out of the operating accounts and reflects the year-end balances available for spending. These funds are reported under the modified accrual accounting method, which measures cash, and all other financial assets that can readily be converted to cash.

The Governmental Fund Statements provide a detailed short-term view of the general government operations and the basic services provided. Governmental fund information helps to determine whether there are more or fewer financial resources available in the near future to finance the Clerk of Court's programs.

The Governmental Fund – General Fund Statement of Revenues, Expenditures and Changes in Fund Balance provides information about the Clerk's activities as a whole and presents a view of the current year operations of the office. Substantially all of the current year's program revenues and expenses are taken into account regardless of when cash is received or paid. In analyzing these reports, one of the more important considerations is the financial outcome of the current year operations. The current year activity is reflected in this statement and provides the data necessary to address this concern.

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Management's Discussion and Analysis
Year Ended June 30, 2004

Fund Financial Statements – (Continued)

The Clerk of Court is the trustee, or fiduciary, for funds reserved by the Court and for Advance Costs collected in payment for court expenses. All of these fiduciary activities are reported separately. These activities are excluded from the General Fund Statements of activity because the Clerk of Court cannot access these funds to finance the operations of the office. The Clerk of Court is responsible for safeguarding these assets and ensuring that these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The financial statements provide details of the current year operations summarized as follows:

- Net assets of governmental activities increased by \$372,153 or approximately 27% over the prior year.
- During the year, the Clerk had expenses of \$1,947,950 that were \$372,153 less than the \$2,320,103 generated in fees and other revenues for governmental programs.
- Net Assets at year-end totals \$1,745,098, an increase of \$372,153 over the prior year balance of \$1,372,945.

The Statement of Net Assets and the Statement of Activities reports only one type of activity – governmental activities. All basic governmental services are reported as this type. Fees and court costs charged to the public finance most of these activities.

ST. BERNARD PARISH CLERK OF COURT AS A WHOLE

The Clerk of Court's net assets increased by \$372,153 as a result of this year's operations. The overall financial position improved during the fiscal year ending June 30, 2004. Unrestricted net assets, the assets used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal obligations, absorbed most of the increase this year. The balance in net assets represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today, including all of our non-capital liabilities, we would have \$1,745,098 left. The Clerk of Court's total revenues for the year in governmental activities were \$2,320,103 (\$2,288,258 in charges for services and \$31,845 in general revenues). The total cost of all judicial programs and services was \$1,947,950 with no new programs added this year.

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Management's Discussion and Analysis
Year Ended June 30, 2004

ST. BERNARD PARISH CLERK OF COURT AS A WHOLE – (Continued)

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As noted earlier, the Clerk uses funds to control and manage money for particular purposes. Analyzing these funds helps to determine whether the Clerk is using her resources in a responsible manner and maintaining the financial integrity of the office.

At the year ended June 30, 2004, the governmental fund reported a fund balance of \$1,147,600, a decrease of \$184,286 over last year. This decrease is a result of major expenditures for archiving the parish records and capital expenditures to accommodate the ever increasing volume of records. Although the balance has decreased over the past year, it is a result of reinvesting in the efficient operation of the office without compromising future ability to perform the duties of the Clerk's office.

GENERAL FUNDS BUDGETARY HIGHLIGHTS

The original budget for the General Funds was amended February 29, 2004. A summary of the changes follows:

Summary of Budget Changes

| | Original Budget | Amended Budget | Increase (Decrease) | % |
|-------------------------------------|---------------------|---------------------|------------------------|--------------|
| Revenues: | | | | |
| Program Revenues | \$ 2,000,500 | \$ 2,186,500 | \$ 186,000 | 9.16% |
| Non-Program Revenues | 30,000 | 19,000 | (11,000) | -0.54% |
| Total Revenues | <u>2,030,500</u> | <u>2,205,500</u> | <u>175,000</u> | <u>8.62%</u> |
| Expenditures | | | | |
| Salaries | 1,122,000 | 1,125,000 | 3,000 | 0.13% |
| Employee Benefits | 437,500 | 460,000 | 22,500 | 0.97% |
| Office Expense | 190,500 | 193,750 | 3,250 | 0.14% |
| Auto/Travel | 4,000 | 4,500 | 500 | 0.02% |
| Clerks Supplemental Compensation | 14,000 | 13,000 | (1,000) | -0.04% |
| Permanent Records | 495,000 | 495,000 | - | 0.00% |
| Capital Outlay | 50,000 | 80,000 | 30,000 | 1.30% |
| Total Expenditures | <u>2,313,000</u> | <u>2,371,250</u> | <u>58,250</u> | <u>2.52%</u> |
| Excess of Revenue over Expenditures | (282,500) | (165,750) | 116,750 | 6.10% |
| Beginning Fund Balance | <u>1,296,472</u> | <u>1,331,886</u> | <u>35,414</u> | <u>2.73%</u> |
| Ending Fund Balance | <u>\$ 1,013,972</u> | <u>\$ 1,166,136</u> | <u>\$ 152,164</u> | <u>8.83%</u> |

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Management's Discussion and Analysis
Year Ended June 30, 2004

GENERAL FUNDS BUDGETARY HIGHLIGHTS – (Continued)

Substantially all of the increase in program revenues can be attributed to one of two sources. Mortgage revenue was expected to be higher than usual due to increased refinancing as low interest rates prevailed. This was taken into account with the preparation of the original budget; however, the trend has continued beyond what was expected when the original budget was published. In addition there have been a large number of Mineral Rights Lease filings in the current year. Large volumes of revenue from this source are unusual in nature and were not taken into account in the original publication.

There are two categories of expenses that constitute the material changes in expenditures. One is the increase in Employee Benefits. When the original budget was prepared, the employer's contribution percentage to the Pension Plan was 10%; the 2004 budget was prepared based on this contribution rate. The Association raised the percentage to 11.5% as of July 1, 2003. The increased rate applied to the entire fiscal year ended June 30, 2004 and the increase was reflected in the Amended Budget.

The second increase is in the area of Capital Outlays. The Clerk anticipated expending funds to phase in replacement of outdated computer and other office equipment. Due to continuing demands on the resources of the office, it was decided to accelerate the replacement of this equipment.

CAPITAL ASSETS

Capital Assets include furniture and fixtures, office equipment and an automobile recorded at a historical cost of \$436,005. Assets were recorded in the Governmental Fund as of July 1, 2003 per GASB 34 requirements. Capital Assets, net of accumulated depreciation, for governmental activities as of June 30, 2004 was \$109,377. The Clerk adopted a capitalization policy during the year whereby only assets over \$500 would be capitalized.

There were \$66,425 of additions to Capital Assets and adjustments of \$145,335 in the current year. Depreciation expense was recorded at \$17,232. A Summary of Activity for Capital Assets is presented in the notes to the financial statements.

LONG-TERM OBLIGATIONS

The Clerk of Court has no long-term obligations at June 30, 2004.

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Management's Discussion and Analysis
Year Ended June 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Clerk must consider many variables when budgeting for the coming fiscal year. Included in these factors are changing laws and regulations, economic circumstances and historical trends.

A summary of the current budget for the year ending June 30, 2005 follows:

Condensed Summary of Budgeted Finances

| | <u>Y/E 6/30/2005</u> |
|--|----------------------|
| Anticipated Revenue | \$ 2,077,000 |
| Expenditures: | |
| Current | 1,991,700 |
| Permanent Records | 100,000 |
| Capital Outlay | 75,000 |
| | <u>2,166,700</u> |
| Excess (Deficit) of Revenues over Expenditures | (89,700) |
| Beginning Fund Balance | 1,147,600 |
| Ending Fund Balance | <u>\$ 1,057,900</u> |

In preparing the budget, the Clerk anticipated a deficit in the coming fiscal year as a direct result of one-time expenditures for Permanent Records and Capital Outlays. However, the plans for upgrading the facilities of the office were accelerated; as a result, many of the expenditures were made before the close of the current year-end. The probability of a deficit of the magnitude reflected in the budget, if any at all, is no longer expected.

Historically, the office staff and operating costs remain stable and should continue to do so. The Clerk of Court will cover any additional costs of Permanent Records and Capital Outlay from available funds accumulated over the last few years. Even if a small deficit arises in the coming fiscal year, the General Fund Balance will be adequate to maintain the financial stability of the office. The fund balance is expected to once again increase as current equipment updates are completed.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the St. Bernard Clerk of Court and to show the accountability for all funds managed by this office. If you have questions about this report or need additional financial information, contact:

Honorable Lena R. Torres
St. Bernard Parish Clerk of Court
P.O. Box 1746
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Accounting Group International
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Independent Auditor's Report

Honorable Lena R. Torres
St. Bernard Parish Clerk of Court
Chalmette, Louisiana

We have audited the accompanying financial statements of the governmental activities of the St. Bernard Parish Clerk of Court as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the management of the St. Bernard Parish Clerk of Court. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects the financial position of the St. Bernard Parish Clerk of Court as of June 30, 2004, and the results of its operations and its changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in the Notes to the basic financial statements, the St. Bernard Parish Clerk of Court adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis and other required supplementary information, as listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2004, on our consideration of the St. Bernard Parish Clerk of Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral report of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bain, Freibaum, Sagona & Co., L.L.P.
Certified Public Accountants
December 15, 2004

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Statement of Net Assets
June 30, 2004

| | <u>General Fund</u> |
|--|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,658,148 |
| Receivables | 14,832 |
| Prepaid expenses | 236 |
| Capital Assets, net of accumulated depreciation | 109,377 |
| Total Assets | \$ 1,782,593 |
| Liabilities | |
| Accounts payable | \$ 17,539 |
| Accrued accumulated compensated absences | 19,956 |
| Total Liabilities | \$ 37,495 |
| Net Assets | |
| Investment in capital assets Unrestricted | \$ 109,377 1,635,721 |
| Total Net Assets | \$ 1,745,098 |
| | \$ 1,782,593 |

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Balance Sheet – Governmental Fund
June 30, 2004

Expenses

General government:

| | |
|---|--------------|
| Personnel services and related benefits | \$ 1,610,503 |
| Operating services | 183,271 |
| Travel and other charges | 3,261 |
| Depreciation | 17,232 |
| Permanent records | 120,439 |
| Intergovernmental | 13,244 |

| | |
|----------------|--------------|
| Total Expenses | \$ 1,947,950 |
|----------------|--------------|

Program Revenues

| | |
|--|-----------|
| Licenses and permits | \$ 6,962 |
| Fees, charges, and commissions for services: | |
| Court costs, fees and charges | 1,056,749 |
| Fees for recording legal documents | 1,147,974 |
| Fees for copies of documents | 48,541 |
| Miscellaneous | 28,032 |

| | |
|------------------------|--------------|
| Total Program Revenues | \$ 2,288,258 |
|------------------------|--------------|

General Revenues

| | |
|---|-----------|
| Use of money and property – interest earnings | \$ 21,615 |
| Contributed support | 10,230 |

| | |
|------------------------|-----------|
| Total General Revenues | \$ 31,845 |
|------------------------|-----------|

Net Assets

| | |
|----------------------|---------|
| Change in Net Assets | 372,153 |
|----------------------|---------|

| | |
|-------------------|-----------|
| Beginning of year | 1,372,945 |
|-------------------|-----------|

| | |
|-------------|--------------|
| End of year | \$ 1,745,098 |
|-------------|--------------|

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Balance Sheet – Governmental Fund
June 30, 2004

| | <u>General Fund</u> |
|---|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,658,148 |
| Receivables | 14,832 |
| Prepaid expenses | 236 |
| Total Assets | \$ 1,673,216 |
| Liabilities | |
| Accounts payable | \$ 17,539 |
| Contracts payable | 508,077 |
| Total Liabilities | \$ 525,616 |
| Fund Equity | |
| Fund balance – unreserved - undesignated | \$ 1,147,600 |
| Total Liabilities and Fund Equity | \$ 1,673,216 |

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Reconciliation of the Balance Sheet – Governmental Fund
To the Statement of Net Assets
June 30, 2004

Total fund balance – governmental fund (fund financial statements) \$ 1,147,600

Amounts reported for *governmental activities* in the statement of net assets
(government-wide financial statements) are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

| | |
|----------------------------|------------|
| Cost of assets capitalized | \$ 436,005 |
| Accumulated depreciation | (326,628) |

109,377

Contracts payable are not being accrued on the government-wide
financial statements because they were not payable at 6/30/04 508,077

Accrued compensated absences are not recorded on fund financials
because they are not due and payable in the current year (19,956)

Total net assets (government-wide financial statements) \$ 1,745,098

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2004

Revenues

| | | |
|---|----|-----------|
| Licenses and permits | \$ | 6,962 |
| Fees, charges, and commissions for services: | | |
| Court costs, fees, and charges | | 1,056,749 |
| Fees for recording legal documents | | 1,147,974 |
| Fees for copies of documents | | 48,541 |
| Miscellaneous | | 28,032 |
| Use of money and property – interest earnings | | 21,615 |
| <hr/> | | |
| Total Revenues | \$ | 2,309,873 |

Expenditures

| | | |
|---|----|-----------|
| General government: | | |
| Personnel services and related benefits | \$ | 1,616,644 |
| Operating services | | 433,562 |
| Travel and other charges | | 3,261 |
| Capital outlay | | 171,353 |
| Permanent records | | 256,095 |
| Intergovernmental | | 13,244 |
| <hr/> | | |
| Total Expenditures | \$ | 2,494,159 |
| <hr/> | | |
| Excess of expenditures over revenues | | (184,286) |
| <hr/> | | |
| Fund balance at beginning of year | | 1,331,886 |
| <hr/> | | |
| Fund balance at end of year | \$ | 1,147,600 |

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund to the Statement of Activities
Year Ended June 30, 2004

| | | |
|--|----|-----------|
| Net change in fund balance (fund financial statements) | \$ | (184,286) |
| <p>Amounts reported for <i>governmental activities</i> in the statement of activities (government-wide financial statements) are different because:</p> <p>Governmental funds report capital outlays as expenditures in the individual fund. Governmental activities report depreciation expense to allocate the cost of those capital assets over the estimated useful lives of the assets.</p> | | |
| Asset purchases capitalized during the year | \$ | 66,425 |
| Depreciation expense for the year | | (17,232) |
| | | 49,193 |
| Amounts not accrued for contracts payable on government-wide financials due to difference in fund accounting & GAAP | | 508,077 |
| Current year addition to compensated absences are not recorded on fund financials because they are not due and payable in the current year | | (831) |
| Changes in net assets (government-wide financial statements) | \$ | 372,153 |

See notes to financial statements

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Statement of Fiduciary Net Assets – Agency Funds
June 30, 2004

| | Advance Deposit Fund | Registry of Court Fund | Total |
|---------------------------|----------------------------|------------------------------|---------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,666,935 | \$ 27,074,548 | \$ 28,741,483 |
| Liabilities | | | |
| Unsettled deposits | \$ 1,666,935 | \$ 27,074,548 | \$ 28,741,483 |

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Statement of Changes in Fiduciary Net Assets – Agency Funds
Year Ended June 30, 2004

| | Advance Deposit Fund | Registry of Court Fund | Total |
|---|----------------------------|------------------------------|---------------|
| Unsettled deposits, beginning of year | \$ 1,531,758 | \$ 15,010,136 | \$ 16,541,894 |
| Additions: | | | |
| Deposits: | | | |
| Suits and successions | 1,745,984 | | 1,745,984 |
| Judgments | | 14,518,391 | 14,518,391 |
| Interest earnings on investments | 1,048 | 150,091 | 151,139 |
| Total additions | \$ 1,747,032 | \$ 14,668,482 | \$ 16,415,514 |
| Subtotal | 3,278,790 | 29,678,618 | 32,957,408 |
| Reductions: | | | |
| Clerk's costs (transferred to General Fund) | \$ 1,015,412 | | \$ 1,015,412 |
| Settlements to litigants | | 2,603,858 | 2,603,858 |
| Attorney, curator, and notary fees | 64,971 | | 64,971 |
| Sheriff's fees | 229,381 | | 229,381 |
| Judges' supplemental compensation fund | 44,564 | | 44,564 |
| Judicial Clerk's fund | 70,682 | | 70,682 |
| Other reductions | 186,845 | 212 | 187,057 |
| Total reductions | \$ 1,611,855 | \$ 2,604,070 | \$ 4,215,925 |
| Unsettled deposits, end of year | \$ 1,666,935 | \$ 27,074,548 | \$ 28,741,483 |

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004

INTRODUCTION

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the Clerk of Court serves as the ex-officio notary public, the recorder of conveyances, mortgages, and other acts, and has other duties and powers provided by law. The Clerk of Court is elected for a four-year term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying financial statements of the St. Bernard Clerk of Court have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB, Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments, issued in June 1999.

Reporting entity - As the governing authority of the parish, for reporting purposes, the St. Bernard Parish Council is the financial reporting entity for St. Bernard Parish. The financial reporting entity consists of (a) the primary government (council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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 established criteria for determining which component units should be considered part of the St. Bernard Parish Council 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. This criteria includes:

- A. Appointing a voting majority of an organization’s governing body, and
 - 1. The ability of the council to impose its will on that organization and/or
 - 2. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
- B. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the council.
- C. 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.

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Reporting entity – Continued

Because the parish council pays certain operating expenditures of the Clerk's office as required by Louisiana law, the Clerk of Court was determined to be a component unit of the St. Bernard Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Clerk of Court and do not present information on the council, the general government services provided by that governmental unit, or the other government units that comprise the financial reporting entity.

Fund accounting - The Clerk of Court uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

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

Funds of the clerk of court are classified into two categories: governmental (General Fund) and fiduciary (Agency Funds). These funds are described as follows:

General Fund

The General Fund, as provided by Louisiana Revised Statute 13:781, is the principal fund of the Clerk of Court and accounts for the operations of the Clerk's office. The various fees and charges due to the Clerk's office are accounted for in this fund. General operating expenditures are paid from this fund.

Agency Funds

The Advance Deposit and Registry of Court Agency Funds account for assets held as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of accounting -- Fund Financial Statements (FFS) - The amounts reflected in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund (FFS), are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Basis of accounting - Continued

The amounts reflected in these statements (FFS), use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Recordings, cancellations, court attendance, criminal cost, etc., are recorded in the year in which they are earned. Interest income on investments is recorded when the investments have matured and the income is available. Substantially all other revenues are recorded when received.

Expenditures

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

Basis of accounting - Government-Wide Financial Statements (GWFS) - The Statement of Net Assets and the Statement of Activities (GWFS) display information about the St. Bernard Parish Clerk of Court as a whole. These statements include all the financial activities of the St. Bernard Parish Clerk of 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 nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues

Program revenues included in the Statement of Activities are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from general revenues.

Reconciliations

On pages 12 and 14 are the reconciliations of the items reflected in the fund financial statements to the government-wide financial statements.

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Budget practices - The proposed budget for the 2004 fiscal year was made available for public inspection at the Clerk's office on June 5, 2003. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal 7 days prior to the public hearing. The budget hearing was held at the Clerk's office on June 6, 2003. The budget is legally adopted and amended, as necessary, by the Clerk. The budget for the 2004 fiscal year was amended, adopted and published in the official journal on April 23, 2004. All appropriations lapse at year end.

Formal budget integration (within the accounting records) is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

Cash and cash equivalents - Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Clerk of Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Uncollectible accounts receivable - The Clerk of Court uses the allowance method to account for uncollectible accounts receivable. The allowance for uncollectible accounts is based on prior years experience and management's analysis of possible bad debts. Bad debt recoveries are charged against the allowance account as realized. The Clerk of Court considers all accounts receivable at June 30, 2004 to be fully collectible. Accordingly, no allowance for uncollectible accounts is required.

Capital assets - Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Clerk maintains a threshold level of \$500 or more for capitalizing capital assets.

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

| Description | Estimated Lives |
|------------------------|--------------------|
| Office Equipment | 5 years |
| Furniture & Fixtures | 5 years |
| Automobiles | 5 years |
| Leasehold Improvements | 20 years |

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Compensated absences - Employees of the Clerk of Court's office earn two weeks vacation leave and up to four weeks sick leave each year. The leave time accrues on a calendar year basis and must be used in the calendar year earned and is not payable upon separation from service. The accrued accumulated leave which had been unused by employees at June 30, 2004 has been included in the government - wide financial statements.

Fund equity - Reserves represent those portions of fund equity not appropriable for expenditure or are legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires 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 expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Clerk of Court has cash and cash equivalents (book balances) totaling \$30,399,631 as follows:

| | Governmental Fund | Agency Fund | Total |
|-----------------------|----------------------|----------------------|----------------------|
| Checking accounts | \$ 1,258,148 | \$ 826,808 | \$ 2,084,956 |
| Time deposits | 400,000 | 850,622 | 1,250,622 |
| Savings passbooks | - | 27,064,053 | 27,064,053 |
| Total deposits | \$ 1,658,148 | \$ 28,741,483 | \$ 30,399,631 |

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the clerk has \$30,458,029 in deposits (collected bank balances). These deposits are secured from risk by \$1,429,696 of federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) with a par value of \$31,416,821 and a market value of \$31,413,463 at June 30, 2004.

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Even though the pledged securities are not considered collateral under the provisions of GASB Statement 3 (Category 3), 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 Clerk of Court that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The receivables of \$14,832 at June 30, 2004, are as follows:

| | Governmental Fund- General Fund |
|----------------------|---------------------------------------|
| Regular | \$ 10,416 |
| Court Attendance | 1,480 |
| Criminal Court Costs | 1,598 |
| Other | 1,338 |
| | \$ 14,832 |

4. CAPITAL ASSETS

As previously noted, the St. Bernard Parish Clerk of Court adopted a capitalization policy during this fiscal year in accordance with the implementation of GASB 34. This adoption required an adjustment be made to adjust for assets previously carried at historical cost under \$500.

A schedule of changes in capital assets follows:

| Governmental Activities | Balance 6/30/03 | Additions | Adjustments | Balance 6/30/04 |
|----------------------------|--------------------|------------------|---------------------|--------------------|
| Automobiles | \$ 10,972 | \$ 17,366 | \$ (10,972) | \$ 17,366 |
| Equipment & Furniture | 483,074 | 49,059 | (134,363) | 397,770 |
| Building Improvements | 20,869 | - | - | 20,869 |
| Totals | \$ 514,915 | \$ 66,425 | \$ (145,335) | \$ 436,005 |

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Less accumulated depreciation:

| Governmental Activities | Balance 6/30/03 | Additions | Adjustments | Balance 6/30/04 |
|----------------------------|--------------------|------------------|-------------|--------------------|
| Automobiles | \$ | \$ 1,447 | \$ | \$ 1,447 |
| Equipment & Furniture | 308,440 | 14,789 | | 323,229 |
| Building Improvements | 956 | 996 | | 1,952 |
| Totals | \$ 309,396 | \$ 17,232 | \$ | \$ 326,628 |
| Capital assets, net | \$ 205,519 | | | \$ 109,377 |

The depreciation expense charged for June 30, 2004 is \$17,232.

5. PENSION PLAN

Plan Description. Substantially all employees of the St. Bernard Parish Clerk of Court are members of the Louisiana Clerks of Court Retirement and Relief Fund (System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The system provides retirement, survivor, disability and terminated benefits to plan members and beneficiaries.

Funding Policy. All regular employees earning at least \$500 per month who are under the age of 60 at the time of original employment are required to participate in the System. Employees who retire at or after age 55 with at least 12 years of credited service are entitled to an annual retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the full benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute. Contributions to the System include one-fourth of one percent (one-half of one percent for Orleans Parish) of the taxes shown to be collectible by the tax rolls of each parish. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer's contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Annual Pension Cost. For 2004, the Clerk's annual pension cost of \$124,885 was less than the Clerk's required contribution of \$134,427. The required contribution was determined as part of the June 30, 2003 actuarial valuation. The actuarial assumptions included a 8% investment rate of return (net of administrative expenses) and a projected salary increase of 6% per year.

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

Three year trend information for the St. Bernard Parish Clerk of Court

| Fiscal Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|------------------------|------------------------------|----------------------------------|---------------------------|
| 06/30/2001 | \$182,020 | 100% | - |
| 06/30/2002 | \$172,036 | 100% | - |
| 06/30/2003 | \$170,114 | 79% | \$44,605 |

Required supplemental information – Schedule of Funding Program of PERS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage Of Covered Payroll (b-a)/(c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 06/30/2001 | \$202,157,690 | \$279,638,113 | \$77,480,423 | 72% | \$61,034,631 | 127% |
| 06/30/2002 | \$204,897,570 | \$282,812,163 | \$77,914,593 | 72% | \$64,135,719 | 121% |
| 06/30/2003 | \$206,768,548 | \$285,970,629 | \$79,202,081 | 72% | \$67,515,714 | 117% |

The following provides certain additional disclosures for the Clerk and the retirement system:

| <u>St. Bernard Parish Clerk of Court</u> | <u>Year Ended June 30, 2004</u> |
|---|-------------------------------------|
| Total current-year payroll | \$ 1,138,204 |
| Total current-year covered payroll – employer | 1,086,337 |
| Total current-year covered payroll – employees (excluding DROP wages) | 937,247 |
| Actuarially required contribution: Dollar amount | 155,563 |
| Percentage of total actuarially required contribution of all participating employers and employees | 1.04% |

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

| | Required by Statute | | Actual Contribution | |
|-----------------------|------------------------|------------|------------------------|------------|
| Contributions: | | | | |
| Employees | 8.25% | \$ 77,323 | 8.25% | \$ 77,323 |
| Employer | 14.32% | 155,563 | 11.50% | 124,885 |
| | 22.57% | \$ 232,886 | 19.75% | \$ 202,208 |

Actuarial information about the System for its most recent year available, the year ended June 30, 2003, is presented below.

Louisiana Clerks of Court Retirement and Relief Fund

| | |
|--|----------------|
| Estimated payroll for current year | \$ 70,033,408 |
| Actuarially required contributions: | |
| Actuarially required contribution for dedicated taxes: | |
| Dollar amount | 4,912,419 |
| Percent of estimated payroll | 7.01% |
| Actuarially required contribution for employers and employees: | |
| Dollar amount | 10,028,784 |
| Percent of estimated payroll | 14.32% |
| Total actuarially required contribution: | |
| Dollar amount | 14,941,203 |
| Percent of estimated payroll | 21.33% |
| Net assets, fair value | \$ 203,267,112 |
| Pension benefit obligation | 304,759,300 |
| Unfunded benefit obligation | \$ 101,492,188 |

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's comprehensive annual financial report. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, Louisiana 70816, or by calling (225) 293-1162.

The St. Bernard Parish Clerk of Court does not guarantee the benefits granted by the System.

6. OTHER POST-EMPLOYMENT BENEFITS

The St. Bernard Parish Clerk of Court provides certain continuing health care and life insurance benefits for retired employees. Substantially all of the Clerk's employees become eligible for these benefits if they reach normal retirement age while working for the Clerk of Court. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employees and the Clerk of Court. The Clerk of Court recognizes the cost of providing these benefits (the Clerk's portion of the premiums) as an expenditure when the monthly premiums are due. The cost of such premiums borne by the Clerk of Court for both active and retired participants amounted to \$248,012 for 2004. These benefits are provided in accordance with the provisions of the Louisiana Clerks of Court Retirement and Relief System in which the St. Bernard Parish Clerk of Court's office participates as described in note 5.

The cost of providing these benefits for the 12 retired participants for the year ended June 30, 2004 is as follows:

| | | |
|--------------------------------|----|--------|
| Retirees' contributions | \$ | 20,398 |
| Clerk of Court's contributions | | 20,399 |
| <hr/> | | |
| Total contributions | \$ | 40,797 |

(Continued)

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Notes to Financial Statements
Year Ended June 30, 2004
(Continued)

7. EXCESS FUND BALANCE

Louisiana Revised Statute 13:785 requires that every four years (at the close of the term of office) the Clerk of Court must pay the parish treasurer the portion of the General Fund balance that exceeds one-half of the revenues of the last year of the Clerk's term of office. At June 30, 2004, there was no amount due the parish treasurer.

8. LITIGATION AND CLAIMS

There were no litigation or claims outstanding at June 30, 2004, in which the Clerk of Court's office was involved.

9. EXPENDITURES OF THE CLERK OF COURT PAID BY THE PARISH COUNCIL

Certain operating expenditures of the Clerk's office are paid by the parish council and are not included in the accompanying financial statements. These expenditures are summarized as follows:

| | | |
|--|----|---------|
| Operating services less court attendance | \$ | 101,465 |
| Capital outlay | | 10,230 |
| <hr/> | | |
| Total | \$ | 111,695 |

ST. BERNARD PARISH CLERK OF COURT
CHALMETTE, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|---------------------|---------------------|---|
| Revenues | | | |
| Licenses and permits | \$ 6,500 | \$ 6,962 | \$ 462 |
| Fees, charges, and commissions for services: | | | |
| Court costs, fees, and charges | 1,013,000 | 1,056,749 | 43,749 |
| Fees for recording legal documents | 1,095,000 | 1,147,974 | 52,974 |
| Fees for copies of documents | 45,000 | 48,541 | 3,541 |
| Miscellaneous | 27,000 | 28,032 | 1,032 |
| Use of money and property – interest earnings | 19,000 | 21,615 | 2,615 |
| Total Revenues | \$ 2,205,500 | \$ 2,309,873 | \$ 104,373 |
| Expenditures | | | |
| General government: | | | |
| Personnel services and related benefits | \$ 1,585,000 | \$ 1,616,644 | \$ (31,644) |
| Operating services | 193,750 | 433,562 | (239,812) |
| Travel and other charges | 4,500 | 3,261 | 1,239 |
| Capital outlay | 80,000 | 171,353 | (91,353) |
| Permanent records | 495,000 | 256,095 | 238,905 |
| Intergovernmental | 13,000 | 13,244 | (244) |
| Total Expenditures | \$ 2,371,250 | \$ 2,494,159 | \$ (122,909) |
| Excess of expenditures over revenues | (165,750) | (184,286) | (18,536) |
| Fund balance at beginning of year | 1,331,886 | 1,331,886 | - |
| Fund balance at end of year | \$ 1,166,136 | \$ 1,147,600 | \$ (18,536) |

See notes to financial statements

ST. BERNARD PARISH CLERK OF COURT
CHALMETTE, LOUISIANA

REPORTS REQUIRED BY GAO

YEAR ENDED JUNE 30, 2004

**St. Bernard Parish Clerk of Court
Chalmette, Louisiana**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

We have audited the basic financial statements of the St. Bernard Parish Clerk of Court as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weaknesses _____ Yes X No Reportable Conditions _____ Yes X No

Compliance:

Compliance Issues Material to Financial Statements _____ Yes X No

- b. Federal Awards – None
- c. Identification of Major Programs – None

Section II Financial Statement Findings – No matters were reported

Section III Federal Award Findings and Questioned Costs – None

ST. BERNARD PARISH CLERK OF COURT
CHALMETTE, LOUISIANA

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

YEAR ENDED JUNE 30, 2004



Bain, Freibaum, Sagona & Co., L.L.P.
Certified Public Accountants and Consultants

Gus Freibaum, Jr., CPA*
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MEMBER

American Institute of CPAs

Society of Louisiana CPAs

Accounting Group International
(Associates in Principal Cities)

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting Based on
an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Lena R. Torres
St. Bernard Parish Clerk of Court
Chalmette, Louisiana

We have audited the basic financial statements of the St. Bernard Parish Clerk of Court (the Clerk) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Lena R. Torres
St. Bernard Parish Clerk of Court
Page 2

This report is intended for the information and use of management and the legislative auditor. However, this report is a matter of public record and its distribution is not limited.

Bair, Freilbaum, Lagora & Co., L.L.P.
Certified Public Accountants
December 15, 2004