

**EAST BATON ROUGE CLERK OF COURT**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**BATON ROUGE, LOUISIANA**

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 **AUG 08 2012**

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December 22, 2011

INDEPENDENT AUDITOR'S REPORT

To the Honorable Doug Welborn  
East Baton Rouge Parish Clerk of Court  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund) and each fiduciary fund of the East Baton Rouge Parish Clerk of Court (a component unit of the East Baton Rouge Parish Council), as of and for the year ended June 30, 2011, which collectively comprise the Clerk's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Baton Rouge Parish Clerk of Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Due to the East Baton Rouge Parish Clerk of Court's inability to reconcile the individual suit balances in its Advance Deposit Fund with the corresponding unsettled deposits liability recorded on its statement of fiduciary net assets at June 30, 2011, we were unable to satisfy ourselves, by any auditing procedures, as to the reasonableness of the accounts receivable and unsettled deposits account balances recorded in this fund at June 30, 2011. The effect on the financial statements of not reconciling these individual suits balances cannot be reasonably determined.

In our opinion, except for the effects of any adjustments that may be required with respect to the Advance Deposit Fund discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Major Fund (General Fund) and the fiduciary funds identified as Registry of Court Fund and Bond Fund of the East Baton Rouge Parish Clerk of Court as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the East Baton Rouge Parish Clerk of Court adopted the provisions of Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 2011, on our consideration of the East Baton Rouge Parish Clerk of Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

*Harold J. Bourgeois, CPA*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **EAST BATON ROUGE PARISH CLERK OF COURT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2011

Our discussion and analysis of the East Baton Rouge Parish Clerk of Court's (hereafter referred to as the Clerk) financial performance provides an overview of the Clerk's financial activities for the fiscal year ended June 30, 2011. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Clerk's financial position, identify any material deviations from the approved budget, and identify individual concerns.

### **Financial Highlights**

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2011, the Clerk's net assets decreased by \$388,137, and resulted in ending net assets of \$3,440,064, or a decrease of 10 percent from 2010.

Total spending for the governmental activity was \$13,786,743 for the year, which was \$535,358 more than the fees and costs charged for this activity, \$13,251,385.

The interest revenue earned on checking accounts and investments in certificates of deposit was \$147,221 for the year.

### **Using This Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 8 and 9 provide information about the financial activities of the Clerk and illustrate a longer-term view of the Clerk's finances. Fund financial statements start on page 10. For governmental activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the Clerk's operations in more detail than the government-wide statements by providing information about the Clerk's significant funds.

The Clerk's independent auditors attest in their report that the Basic Financial Statements are fairly stated. The auditors are providing varying degrees of assurance regarding the Required Supplementary Information, the levels of which are illustrated in the auditors' report.

### **Reporting The Clerk as a Whole, The Statement of Net Assets and The Statement of Activities**

Our analysis of the Clerk as a whole begins on page 8. These statements help to illustrate the status of the Clerk resulting from the year's activities. The statements include all assets and liabilities using the accrual basis of accounting. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The Clerk's net assets are determined by examining the difference in assets and liabilities. The two statements report the Clerk's net assets and any changes in them. Examining the Clerk's net assets is an effective way to determine the financial status of the Clerk. Increases and decreases in net assets are an indicator of the Clerk's overall increasing or decreasing financial performance.

# **EAST BATON ROUGE PARISH CLERK OF COURT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2011

In the Statement of Net Assets and the Statement of Activities, the Clerk reports only governmental activities. The majority of the Clerk's activities are of this type, and costs and fees for services to the public finance most of the activities.

### **Reporting The Clerk's Most Significant Funds, Fund Financial Statements**

The analysis of the Clerk's major funds begins on page 10. The fund financial statements provide detailed information about the most significant funds rather than the Clerk as a whole. In the operation of the Clerk's office, some funds are established and governed by Louisiana Revised Statutes. Fiduciary funds are an example of this type of fund, which includes the Advance Deposit Fund, the Registry of the Court Fund, and the Bond Fund. Other funds of the Clerk have been established within the office's accounting system to aid in management and to designate funding for specific purposes.

The Clerk uses a governmental type fund. Most of the Clerk's services are reported in this governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, 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 Clerk's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Clerk's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on page 11.

The Clerk is the trustee, or fiduciary, for other assets that, because of their fiduciary nature, can be used only for the trust beneficiaries. All of the Clerk's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 15. We exclude these activities from the Clerk's other financial statements because the Clerk cannot use these assets to finance its operations. The Clerk is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The Clerk As A Whole**

#### **Governmental Activity**

The Clerk's net assets decreased \$388,137 as a result of this year's operations resulting in ending net assets of \$3,440,064, or a decrease of 10 percent. The balance in net assets represents the accumulated results of all past years' operations. Unrestricted net assets (the part of net assets that can be used to finance daily operations without legal restrictions or obligations) changed from a \$1,655,422 surplus to a \$1,629,406 surplus at year-end. The Clerk can use these funds to finance the continuing operations of the office. This means that if we had to pay off all of our bills today, we would have \$1,629,406 left.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2011

**Table 1**  
**Net Assets**

	2011	2010
Current and Other Assets	\$ 6,266,245	\$ 6,014,106
Capital Assets	1,810,658	2,172,780
Total Assets	8,076,903	8,186,886
Other Liabilities	4,636,839	4,358,684
Total Liabilities	4,636,839	4,358,684
Net Assets:		
Invested in Capital Assets	1,810,658	2,172,780
Unrestricted	1,629,406	1,655,422
Total Net Assets	\$ 3,440,064	\$ 3,828,202

The Clerk's total revenues for the year increased \$378,583 or 3 percent. This included \$13,251,385 in fees, charges and commissions for services, and \$147,221 in interest revenue. The total cost of all programs and services was \$13,786,743 with no new programs added this year.

**Table 2**  
**Changes in Net Assets**

	2011	2010
Revenues		
Program Revenues	\$ 13,251,385	\$ 12,729,756
Interest Revenue	147,221	290,267
Total Revenues	13,398,606	13,020,023
Program Expenses		
Total Expenses	13,786,743	14,815,665
Increase (Decrease) In Net Assets	\$ (388,137)	\$ (1,795,642)

**EAST BATON ROUGE PARISH CLERK OF COURT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2011

**The Clerk's Funds**

As previously mentioned, the Clerk uses funds to help control and manage money for particular purposes. At the completion of the year, the Clerk's governmental fund reported a fund balance of \$5,128,463. This reflects an increase of \$495,322 from last year.

**General Fund Budgetary Highlights**

The Clerk's budget was not revised during the last year.

The actual expenditures were \$1,106,539 under the budgeted amounts.

On the other hand, resources available for expenditure were \$556,006 above the budgeted amount.

The Clerk's General Fund balance of \$5,128,463 reported on page 10 differs from the General Fund's budgetary fund balance of \$3,465,918 reported in the budgetary comparison schedule on page 14 because of these positive variance differences.

**Capital Assets**

At the end of the year, the Clerk has \$1,810,658 invested in capital assets, including furniture, equipment, and improvements. This year there were additions of \$234,110, no disposals, and depreciation expense of \$596,232, reflecting a net decrease in capital assets of \$362,122. More detailed information about the Clerk's capital assets is presented in Note 5 of the financial statements.

**Table 3**  
**Capital Assets at Year-end**  
**(Net of Accumulated Depreciation)**

	<u>2011</u>	<u>2010</u>
Furniture, Equipment, and Improvements	<u>\$ 1,810,658</u>	<u>\$ 2,172,780</u>

**Debt**

At year-end, the Clerk had no debt outstanding.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2011

**Economic Factors and Next Year's Budget and Rates**

The Clerk has very limited authority in setting fees and costs for services provided, the majority of which are regulated by Louisiana Revised Statutes. The office staff and operating costs have been largely stable for the past several years.

During fiscal year 2011, the Clerk's office has relocated all court related departments to the new courthouse. Current documents are being scanned and existing records, probate, family, and civil, are also being scanned.

The Clerk's office has continued its program of technology enhancements to the various functions and services provided by the office. We installed a new phone system, upgraded to a new, cutting edge e-mail server, and implemented on-demand printing in Civil and Family Processing.

The City of Baton Rouge/Parish of East Baton Rouge absorbs some of the operating expenses of the Clerk's office by providing office space for the Clerk.

The Clerk's office has continued to experience a significant decrease in fees in 2011 from previous years due, primarily, to the general economic climate. It is not anticipated that fees will decline further, but it does not appear that fees are returning to the levels achieved in prior years. The Clerk's office has undertaken some cost cutting measures and may have to undertake additional cuts if revenues decline during the current year. Taking all factors into consideration, the Clerk's general fund balance is expected to remain about the same by the close of fiscal year 2012.

**Contacting the Clerk's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Clerk's finances and to show the Clerk's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Doug Welborn, East Baton Rouge Parish Clerk of Court, Post Office Box 1991, Baton Rouge, Louisiana 70821.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**EAST BATON ROUGE PARISH CLERK OF COURT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,853,054
Receivables	118,329
Due from Other Funds	2,548
Due from Other Governments	292,314
Capital Assets (Net of Accumulated Depreciation)	1,810,658
Total Assets	<u>\$ 8,076,903</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 256,782
Accrued Payroll, Payroll Taxes and Related Benefits Payable	324,156
Accrued Health Insurance Claims	304,184
Due to Other Governments	252,660
Non-Current Liabilities:	
Due Within One Year	163,579
Due in More Than One Year	3,335,478
Total Liabilities	<u>4,636,839</u>
<b>NET ASSETS</b>	
Investment in Capital Assets	1,810,658
Unrestricted	1,629,406
Total Net Assets	<u>3,440,064</u>
Total Liabilities and Net Assets	<u>\$ 8,076,903</u>

The accompanying notes constitute an integral part of this statement.

EAST BATON ROUGE PARISH CLERK OF COURT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
<b><u>Governmental Activities:</u></b>	
Expenses:	
Judicial:	
Salaries and Wages	\$ 7,386,561
Employee Benefits and Payroll Taxes	4,068,904
Office Expenses	376,893
Auto/Travel	25,531
Other Operating Expenses	1,332,622
Depreciation	596,232
Total Expenses	<u>13,786,743</u>
Program Revenues:	
Fees, Charges and Commissions for Services:	
Recordings	3,619,369
Uniform Commercial Code Fees	192,575
Cancellations	594,317
Mortgage Certificates	47,571
Court Attendance	196,905
Photocopies	1,056,928
Fines and Forfeitures	319,369
Suits and Successions	6,654,389
Other Fees	128,639
Intergovernmental	365,062
Licenses	76,261
Net Program Revenues (Expenses)	<u>(535,358)</u>
General Revenues:	
Interest Revenue	<u>147,221</u>
Total General Revenues	<u>147,221</u>
Change in Net Assets	(388,137)
Net Assets - Beginning of Year	<u>3,828,201</u>
Net Assets - End of Year	<u>\$ 3,440,064</u>

The accompanying notes constitute an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**EAST BATON ROUGE PARISH CLERK OF COURT**

**BALANCE SHEET - GOVERNMENTAL FUND**

JUNE 30, 2011

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,853,054
Receivables	118,329
Due from Other Funds	2,548
Due from Other Governments	292,314
Total Assets	<u>\$ 6,266,245</u>

**LIABILITIES AND FUND BALANCES**

**Liabilities:**

Accounts Payable	\$ 256,782
Accrued Payroll, Payroll Taxes and Related Benefits Payable	324,156
Accrued Health Insurance Claims	304,184
Due to Other Governments	252,660
Total Liabilities	<u>1,137,782</u>

**Fund Balances:**

Unassigned	<u>5,128,463</u>
Total Fund Balances	<u>5,128,463</u>
Total Liabilities and Fund Balances	<u>\$ 6,266,245</u>

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

**Fund Balances - Total Governmental Fund** **\$ 5,128,463**

**Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:**

**Capital Assets Used in Governmental Activities  
are not Financial Resources and are not Reported  
in the Governmental Funds**

<b>Cost of Capital Assets</b>	<b>8,926,589</b>
<b>Less: Accumulated Depreciation</b>	<b><u>(7,115,931)</u></b>
	<b>1,810,658</b>

**Long-Term Liabilities are not Due and Payable  
in the Current Period and Therefore are not  
Reported in the Governmental Funds**

<b>Accumulated Unfunded Compensated Absences Payable</b>	<b>(654,316)</b>
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<b>Accumulated Unfunded Other Postemployment Benefits Payable</b>	<b><u>(2,844,741)</u></b>
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**Net Assets of Governmental Activities** **\$ 3,440,064**

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>
<b>Revenues:</b>	
<b>Fees, Charges and Commissions for Services:</b>	
Recordings	\$ 3,619,369
Uniform Commercial Code Fees	192,575
Cancellations	594,317
Mortgage Certificates	47,571
Court Attendance	196,905
Photocopies	1,056,928
Fines and Forfeitures	319,369
Suits and Successions	6,654,389
Other Fees	128,639
Intergovernmental	365,062
Licenses	76,261
Interest Revenue	147,221
<b>Total Revenues</b>	<u>13,398,606</u>
<b>Expenditures:</b>	
<b>Judicial:</b>	
Salaries and Wages	6,865,224
Employee Benefits and Payroll Taxes	4,068,904
Office Expenditures	376,893
Auto/Travel	25,531
Other Expenditures	1,332,622
	<u>12,669,174</u>
Capital Outlay	234,110
<b>Total Expenditures</b>	<u>12,903,284</u>
Excess of Revenues Over Expenditures	495,322
<b>Fund Balance - Beginning of Year</b>	<u>4,633,141</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 5,128,463</u></u>

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**

JUNE 30, 2011

Net Change in Fund Balance - Total Governmental Fund \$ 495,322

Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. In the  
Statement of Activities, the Costs of those Assets is Allocated over their Estimated  
Useful Lives as Depreciation Expense. This is the Amount by Which Depreciation  
Expense Exceeded Capital Outlays in the Current Period:

Capital Outlay	234,110
Depreciation Expense	<u>(596,232)</u>
	(362,122)

Some expenses reported in the Statement of Activities  
do not require the use of current financial resources and, therefore, are not reported  
as expenditures in the governmental funds.

Net Change in Compensated Absences Obligation	42,641
Net Change in Other Postemployment Benefits Obligation	<u>(563,978)</u>

Change in Net Assets of Governmental Activities \$ (388,137)

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues:</b>			
Fees, Charges and Commissions for Services:			
Recordings	\$ 3,286,000	\$ 3,619,369	\$ 333,369
Uniform Commercial Code Fees	183,000	192,575	9,575
Cancellations	580,000	594,317	14,317
Mortgage Certificates	52,000	47,571	(4,429)
Court Attendance	205,000	196,905	(8,095)
Photocopies	926,000	1,056,928	130,928
Fines and Forfeitures	172,000	319,369	147,369
Suits and Successions	6,550,000	6,654,389	104,389
Other Fees	195,600	128,639	(66,961)
Intergovernmental	319,000	365,062	46,062
Licenses	65,000	76,261	11,261
Interest Revenue	309,000	147,221	(161,779)
<b>Total Revenues</b>	<b>12,842,600</b>	<b>13,398,606</b>	<b>556,006</b>
<b>Expenditures:</b>			
Judicial:			
Salaries and Wages	7,086,111	6,865,224	220,887
Employee Benefits and Payroll Taxes	4,191,412	4,068,904	122,508
Office Expenditures	438,000	376,893	61,107
Auto/Travel	34,000	25,531	8,469
Other Expenditures	1,860,300	1,332,622	527,678
	13,609,823	12,669,174	940,649
Capital Outlay	400,000	234,110	165,890
<b>Total Expenditures</b>	<b>14,009,823</b>	<b>12,903,284</b>	<b>1,106,539</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(1,167,223)</b>	<b>495,322</b>	<b>1,662,545</b>
<b>Fund Balance - Beginning of Year</b>	<b>4,633,141</b>	<b>4,633,141</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 3,465,918</b>	<b>\$ 5,128,463</b>	<b>\$ 1,662,545</b>

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

JUNE 30, 2011

	Agency Funds			Total Agency Funds
	Advance Deposit Fund	Registry of Court Fund	Bond Fund	
<b>ASSETS</b>				
Cash	\$ 8,100,087	\$ 19,673,564	\$ 2,050,587	\$ 29,824,238
Investments	18,100,000	25,528	5,795	18,131,323
Accounts Receivable	6,129,791	-	-	6,129,791
Total Assets	<u>\$ 32,329,878</u>	<u>\$ 19,699,092</u>	<u>\$ 2,056,382</u>	<u>\$ 54,085,352</u>
<b>LIABILITIES</b>				
Due to General Fund	\$ 2,548	\$ -	\$ -	\$ 2,548
Due to Taxing Bodies and Others	32,327,330	19,699,092	2,056,382	54,082,804
Total Liabilities	<u>32,329,878</u>	<u>19,699,092</u>	<u>2,056,382</u>	<u>54,085,352</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes constitute an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**STATEMENT OF CHANGES IN FIDUCIARY UNSETTLED DEPOSITS**  
**FIDUCIARY FUNDS**

JUNE 30, 2011

	Agency Funds			Total Agency Funds
	Advance Deposit Fund	Registry of Court Fund	Bond Fund	
<b>Unsettled Deposits, Beginning of Year</b>	\$ 30,363,503	\$ 18,443,936	\$ 2,077,939	\$ 50,885,378
<b>Additions:</b>				
Suits and Successions	17,620,133	-	-	17,620,133
Judgments	-	10,375,333	4,303	10,379,636
Interest Earned	-	28,154	2,899	31,053
<b>Total Additions</b>	<b>17,620,133</b>	<b>10,403,487</b>	<b>7,202</b>	<b>28,030,822</b>
<b>Reductions:</b>				
Clerk's Costs (Transferred to General Fund)	6,654,389	-	-	6,654,389
Settlements to Litigants	-	9,148,331	28,759	9,177,090
Refunds	2,208,796	-	-	2,208,796
Sheriff's Fees	991,404	-	-	991,404
Judicial Expense Fund	4,923,752	-	-	4,923,752
Other Reductions	877,965	-	-	877,965
<b>Total Reductions</b>	<b>15,656,306</b>	<b>9,148,331</b>	<b>28,759</b>	<b>24,833,396</b>
<b>Unsettled Deposits, End of Year</b>	<b>\$ 32,327,330</b>	<b>\$ 19,699,092</b>	<b>\$ 2,056,382</b>	<b>\$ 54,082,804</b>

The accompanying notes constitute an integral part of this statement.

EAST BATON ROUGE PARISH CLERK OF COURT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

**Note 1 - Organization, Nature of Operations, and Summary of Significant Accounting Policies -**

**A. Organization and Nature of Operations**

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

**B. Basis of Statement Presentation**

The accompanying basic financial statements of the East Baton Rouge Parish Clerk of 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 establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict or contradict guidance of the GASB. 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.

**C. Reporting Entity**

The Clerk is an independently elected official; however, the Clerk is fiscally dependent on the City of Baton Rouge/Parish of East Baton Rouge (City/Parish). The City/Parish maintains and operates the parish courthouse in which the Clerk's offices are located and provides funds for various expenditures of the Clerk's office. Because the Clerk is fiscally dependent on the City/Parish, the Clerk was determined to be a component unit of the City of Baton Rouge/Parish of East Baton Rouge, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Clerk and do not present information on the City/Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**D. Basic Financial Statements—Government-Wide Statements**

The Clerk's basic financial statements include both government-wide (reporting the Clerk's office as a whole) and fund financial statements (reporting the Clerk's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Clerk's general administrative services are classified as governmental activities.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

In the government-wide Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Assets includes all funds of the Clerk's office except for fiduciary funds. The Clerk's net assets are reported in three parts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Clerk first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Clerk's functions. The net costs by function are normally covered by general revenue.

This government-wide focus is more on the sustainability of the Clerk as an entity and the change in the Clerk's net assets resulting from the current year's activities.

**E. Basic Financial Statements—Fund Financial Statements**

The financial transactions of the Clerk are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Clerk uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds of the Clerk are classified into two categories: governmental (general fund) and fiduciary (agency funds). These funds are described as follows:

**General Fund (Salary)**

This fund accounts for all or most of the operations of the Clerk's office. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of current financial resources) rather than upon net income. Expendable assets are assigned to funds according to the purpose for which they may be used. Current liabilities are assigned to funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period operations of the Clerk's office. The following is a description of the governmental fund of the Clerk:

The General Fund, as provided by Louisiana Revised Statute 13:781, is the principal fund of the Clerk and accounts for all financial resources, except those required to be accounted for in other funds. 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 Clerk's policies.

## EAST BATON ROUGE PARISH CLERK OF COURT

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

#### Agency Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Clerk's programs. The reporting focus is on net assets and changes in net assets are reported using accounting principles similar to governmental funds. The Advance Deposit Fund, Registry of the Court Fund, and Bond Fund, are agency funds used to account for assets held as an agent for litigants pending court action. Agency 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 modified accrual basis of accounting.

The Clerk's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### **F. Basis Of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### **Basic Financial Statements - Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the Clerk of Court.

The GWFS were prepared using 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from general revenues.

The Clerk of Court does not allocate indirect expenses.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Basic Financial Statements - Governmental Funds**

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

The modified accrual basis of accounting is used by Governmental Funds. 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 (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

**G. Budget Practices**

The proposed budget was made available for public inspection for the fiscal year beginning July 1, 2010 and ending June 30, 2011, on June 29, 2010 at the Clerk's office.

The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal 15 days prior to the public hearing. A public hearing was held at the Clerk's office in room #179 on June 29, 2010, for comments from taxpayers. The proposed budget was legally adopted by the Clerk. All appropriations lapse at year-end.

Formal budget integration is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments, if any. For the fiscal year ended June 30, 2011, no amended budget was adopted.

**H. Financial Statement Amounts**

**1. Cash and Cash Equivalents:**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The Clerk has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with original maturities of 90 days or less. Under Louisiana Revised Statutes 39:1271 and 33:2955, the Clerk may deposit funds in demand deposits, interest-bearing demand deposits, or certificates of deposit with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**2. Investments:**

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

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase.

**3. Capital Assets:**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all capital assets is provided on the straight-line basis over the following estimated useful lives:

Improvements	7 years
Furniture and Equipment	5-10 years

Capital assets are recorded in the 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.

**4. Revenues:**

Substantially all governmental fund revenues are accrued.

**5. Expenditures:**

Expenditures are recognized when the related fund liability is incurred.

**6. Compensated Absences:**

The Clerk accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**I. Accounts Receivable**

Bad debts are charged to operations during the year in which the account is deemed uncollectible. If the reserve method of accounting for uncollectible accounts had been used, it would not have had a material effect on the financial statements.

**J. Compensated Absences**

The Clerk has the following policy related to annual and sick leave:

Annual leave is determined by the number of years of service and accrues each pay period. Accrued annual leave is carried over from year to year, with no limit on the amount that may be accumulated. Upon termination of employment for any cause, an employee will be paid for accrued annual leave not to exceed 280 hours.

Regardless of the number of years of service, sick leave amounts to twelve days per year and accumulates each pay period. Sick leave carries over from year to year, with no limit on the amount that may be accumulated. Upon termination of employment for any cause, an employee will not be paid for any accumulated sick leave.

At June 30, 2011, employees of the Clerk had accumulated and vested \$654,316, of annual leave benefits, which was computed in accordance with Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*.

**K. Clerk's Fees Transferred from Advance Deposit Agency Fund**

These fees represents revenue to the Clerk of Court earned from everyday operations such as copying and faxing for litigants and standard fees charged on suits. These fees are collected by a transfer of litigant's money deposited in the Advance Deposit Fund to the General Fund.

**L. Encumbrances**

Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of that appropriation, is not employed by the Clerk.

**M. Fund Equity**

The Clerk of Court implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements, effective July 1, 2010. In the governmental fund financial statements, fund balances are classified as follows:

**EAST BATON ROUGE PARISH CLERK OF COURT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Nonspendable** - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed** - Amounts that can only be used for specific purposes determined by a formal action of the Clerk of Court. These amounts cannot be used for any other purpose unless the Clerk of Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

**Assigned** - Amounts that are designated as committed by the Clerk of Court but are not spendable until a budget ordinance is passed.

**Unassigned** - All amounts not included in other spendable classifications. The Clerk has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level.

The details of the fund balances are included in the Balance Sheet - Governmental Fund (page 10). As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Court or the Assignment has been changed by the Court. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

**N. Use of 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Cash, Cash Equivalents, And Investments**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities of 90 days or less. Investments include certificates of deposit with maturities over 90 days. Under state law the Clerk of Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Clerk of Court may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

A summary of cash and cash equivalents and investments at June 30, 2011 is presented below. At June 30, 2011, the carrying amount of the Clerk of Court's Cash and Cash Equivalents and Investments totaled \$53,808,615, and the confirmed bank balances totaled \$54,407,548. Cash and Cash Equivalents and Investments are stated at cost, which approximates market. Under state law, these 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.

	<u>Governmental Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	\$ 5,853,054	\$ 47,955,561	\$ 53,808,615
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	<u>5,493,427</u>	<u>-</u>	<u>5,493,427</u>
Total Category 3 Bank Balances	<u>\$ 5,493,427</u>	<u>\$ -</u>	<u>\$ 5,493,427</u>
Total Bank Balances (Regardless of Category)	<u>\$ 5,993,427</u>	<u>\$ 48,414,121</u>	<u>\$ 54,407,548</u>

At June 30, 2011, the Clerk of Court held investments in the form of certificates of deposits totaling \$18,131,323. All of these investments mature in more than ninety (90) days and less than one year. These certificate of deposits are included in the deposits amounts of the Agency Funds.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Clerk's deposits may not be returned to it. The Clerk's office does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Clerk's deposits were exposed to custodial credit risk because all deposits were insured by FDIC insurance or collateralized by securities held by the Federal Reserve Bank in a three way custodial account.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Note 3 - Receivables and Due from Other Governments**

The receivables and due from other governments at June 30, 2011 consisted of the following:

Class of Receivables:	
Trade accounts	\$ 40,316
Miscellaneous	70,518
NSF Checks	<u>7,495</u>
Total Accounts Receivable	<u>\$ 118,329</u>

Due from Other Governments:	
Baton Rouge City Court	\$ 34,955
East Baton Rouge Parish Attorney	18,982
East Baton Rouge Parish Family Court	40,827
East Baton Rouge Parish Government	23,088
East Baton Rouge Parish Sheriff	163,210
Other Louisiana Sheriffs	1,382
State of Louisiana	<u>9,870</u>
Total Due from Other Governments	<u>\$ 292,314</u>

**Note 4 - Payables and Due to Other Governments**

The payables and due to other governments at June 30, 2011 consisted of the following:

Class of Payables:	
Trade payables	\$ 78,421
Escrow accounts	<u>178,361</u>
Total Accounts Payable	<u>\$ 256,782</u>

Due to Other Governments:	
Due to 19th Judicial District Court	
Judicial Expense Building Fund	<u>\$ 252,660</u>
Total Due to Other Governments	<u>\$ 252,660</u>

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Note 5 - Changes in Capital Assets**

A summary of changes in capital assets follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b><u>Governmental Activities:</u></b>				
<b>Capital Assets being Depreciated:</b>				
Furniture, Equipment and Improvements	\$ <u>8,692,479</u>	\$ <u>234,110</u>	\$ <u>-</u>	\$ <u>8,926,589</u>
Total Capital Assets being Depreciated	8,692,479	234,110	-	8,926,589
<b>Less: Accumulated Depreciation for:</b>				
Furniture, Equipment and Improvements	<u>6,519,699</u>	<u>596,232</u>	<u>-</u>	<u>7,115,931</u>
Total Accumulated Depreciation	<u>6,519,699</u>	<u>596,232</u>	<u>-</u>	<u>7,115,931</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 2,172,780</u>	<u>\$ (362,122)</u>	<u>\$ -</u>	<u>\$ 1,810,658</u>

Depreciation expense of \$596,232 was charged to the Judicial Operations function in the Statement of Activities.

**Note 6 - Pension Plan**

**Plan description**

All eligible employees of the Clerk are members of the Louisiana Clerks of Court Retirement and Relief Fund (System), a cost-sharing, multiple-employer public employee defined benefit pension plan administered by a separate board of trustees.

All regular employees 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 a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of credited service prior to July 1, 1999, and 3.33% for each year of credited service after June 30, 1999, not to exceed 100% of their final-average salary. Effective January 1, 2011 the retirement age increased to 65 and the amount paid monthly for life will be 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

## EAST BATON ROUGE PARISH CLERK OF COURT

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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 benefit accrued to their date of termination. Effective January 1, 2011 the age for this benefit increased to 65 years of age. The System also provides death and disability benefits. Benefits are established and amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by 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.

#### Funding Policy

Plan members are required by state statute to contribute 8.25% of their annual covered salary and, the Clerk is required to contribute at an actuarially determined rate. The current rate is 17.25 percent of annual covered payroll. Contributions to the System also included one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the Clerk are established and may be amended by state statute. As provided by R.S. 11:103, the employer 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. The Clerk's contributions to the System for the years ended June 30, 2011, 2010, and 2009, were \$1,108,224, \$970,117, and \$777,768, respectively, and were equal to the required contributions for each year.

Effective July 1, 1999, the Clerk could elect to pay all or a portion of the 8.25% employee retirement contribution, which would otherwise be deducted from the employees' salaries. This election can be changed annually by the Clerk. The Clerk elected to implement this policy for the years ended June 30, 2011, 2010, and 2009. The contributions to the System under this election were \$456,379, \$479,355, and \$507,331, respectively for the years ended in 2011, 2010, and 2009.

#### **Note 7 - Other Postemployment Benefits (OPEB)**

The Clerk maintains a self-funded medical and dental plan covering current and retired employees and their dependents. Retirees are also eligible to continue life insurance benefits with a reduced benefit amount. To be eligible to continue coverage, retired employees must be eligible for retirement under the Clerks' of Court Retirement & Relief Fund and must be actively employed at the time of retirement.

All full-time employees of the Clerk may, at their option, participate in the employees' group life, health, and dental insurance programs sponsored by the East Baton Rouge Parish Clerk of Court and administered by outside third-party insurance providers or administrative agents. Both employee/retiree premiums and the employer contribution toward the premiums are set each year by the Clerk.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Plan description**

The Clerk's OPEB Plan is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. Although no written plan or trust currently exists or is sanctioned by law, the OPEB plan is reported based on communications to plan members. The Plan does not issue a publicly available report.

Retirees may continue coverage in accordance with current policies of the Clerk's office. Based on current practices, upon retirement, a totally vested employee may continue their coverage by paying the premiums determined in accordance with current policies.

**Funding policy**

The contribution requirements of the employees/retirees and the Clerk are established in the annual operating budget and may be amended. The contributions are based on projected pay-as-you-go financing. The employer contribution to the OPEB plan for 2011 totaled \$296,357. Plan members receiving benefits contributed \$49,422, or approximately 73% of the total premiums, through their required contribution of \$100 per month for individual coverage and \$150 per month for family coverage.

**Annual OPEB cost and net OPEB obligation**

The Clerk's annual OPEB cost (expense) was calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Since 2008 was the initial year of implementation of GASB Statement No. 45, there was no net OPEB obligation at the beginning of that year and only three years of trend information is available. The ARC was calculated as part of the July 1, 2009, actuarial valuations performed by an outside actuary consultant. The following table shows the components of the Clerk's annual OPEB cost for the year and the amount actually contributed to the plan during the year.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

Annual required contribution (ARC)	\$ 856,258
Interest on net OPEB obligation	91,231
Adjustment to ARC	<u>(87,154)</u>
Annual OPEB cost (expense)	860,335
Less: contributions made	<u>(296,357)</u>
Increase in net OPEB obligation	563,978
Net OPEB obligation-beginning of year	<u>2,280,763</u>
Net OPEB obligation-end of year	<u>\$ 2,844,741</u>

Trend information for the OPEB plan:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 1,012,678	18.10%	\$ 828,969
6/30/2009	1,018,205	18.80%	1,655,488
6/30/2010	859,217	27.20%	2,280,763
6/30/2011	860,335	34.50%	2,844,741

**Funding status and funding progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability (AAL) for benefits was \$11,915,861 with no valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Clerk are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

Schedule of funding progress for the OPEB plan:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a percentage of Covered <u>Payroll</u>
07/01/07	-0-	\$11,180,124	\$11,180,124	0.00%	5,799,842	192.8%
07/01/09	-0-	\$11,915,861	\$11,915,861	0.00%	6,209,905	191.9%

**Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry-Age Normal Actuarial Cost Method was used for July 1, 2009, actuarial valuation. Because the Clerk currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical (and expected investments that are expected to be used in financing the payment of benefits). The actuarial assumptions included 4% investment rate of return, compounded annually. Life expectancies were based on the 1994 Uninsured Pensioner Mortality Table (1-year setback for both males and females). Turnover rates were based on the Clerks' of Court Retirement & Relief Fund's pension plan valuations, adjusted to be consistent with recent Clerk experience. Retirement rates were based on the Clerks' of Court Retirement & Relief Fund's pension plan retirement tables, adjusted to be consistent with recent Clerk retirements.

Both historical retiree claim costs and year 2009 retiree health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid. In addition to a general inflation rate of 3.00%, the plan assumed a medical inflation rate of 10% beginning in 2008, decreasing .5% per year through 2015 and leveling off at 6%. The actuarial valuation also assumes that (1) 75% of future eligible employees are assumed to participate in the medical and dental plans at retirement; (2) 75% of future eligible employees are assumed to participate in life insurance benefits (2) female spouses are assumed to be two years younger than males; (3) 25% of employees married at retirement will elect spousal coverage; (4) 0% of employees will have dependent children at retirement; (5) 100% of employees will elect Medicare coverage when they are first eligible.

The amortization method for the plan is a level percentage of payroll with a thirty year open amortization. The expected long-term payroll growth rate was estimated at 5% per annum. The remaining amortization period at July 1, 2009, was twenty-eight years.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Note 8 - Changes in Fiduciary Fund Unsettled Deposits**

A summary of changes in agency fund unsettled deposits follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Advance Deposit Fund	\$ 30,363,503	\$ 17,620,133	\$ 15,656,306	\$ 32,327,330
Registry of Court Fund	18,443,936	10,403,487	9,148,331	19,699,092
Bond Fund	<u>2,077,939</u>	<u>7,202</u>	<u>28,759</u>	<u>2,056,382</u>
	<u>\$ 50,885,378</u>	<u>\$ 28,030,822</u>	<u>\$ 24,833,396</u>	<u>\$ 54,082,804</u>

**Note 9: Changes in Long-Term Liabilities**

The following is a summary of the long-term liabilities transactions during the year:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 696,957	\$ -	\$ 42,641	\$ 654,316	\$ 163,579
Net Other Postemployment Benefit Obligation	<u>2,280,763</u>	<u>563,978</u>	<u>-</u>	<u>2,844,741</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 2,977,720</u>	<u>\$ 563,978</u>	<u>\$ 42,641</u>	<u>\$ 3,499,057</u>	<u>\$ 163,579</u>

**Note 10 - Excess Fund Balance**

Louisiana R.S. 13:785 requires that every four years (at the close of the term of office) the Clerk must pay the parish treasurer the portion of the General Fund's fund balance that exceeds one-half of the revenues earned during the Clerk's last year of his or her term of office. At June 30, 2011, there was no amount due the parish treasurer as this was not the last year of the Clerk's four year term of office, and no determination of the amount that will be due, if any, can be made at this time.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Note 11 - Risk Management**

The Clerk is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Clerk carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Workmens' compensation coverage is maintained by paying premiums to a commercial insurance carrier. The premium is based upon accident history and administrative costs.

The Clerk provides health care benefits for its employees through its self-funded employee medical benefit plan. This program provides employee health benefit coverage up to \$60,000 per insured per year. The Clerk purchases commercial insurance for claims in excess of this annual threshold. Several claims exceeded the commercial threshold during the fiscal year ended June 30, 2011.

The claims liabilities of \$304,184 reported at June 30, 2011, is based on the requirement of Government Accounting Standards Board Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

As required by GASB 10, a reconciliation of the unpaid claims liability is shown below:

Unpaid claims and claim adjustment expenses at beginning of year	\$ 368,243
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	2,161,593
Increase (decrease) in provision for insured events of prior fiscal	<u>60,777</u>
Total incurred claims and claim adjustment expenses	2,222,370
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	1,857,409
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>429,020</u>
Total payments	<u>2,286,429</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 304,184</u>

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

**Note 12 - Deferred Compensation Plans**

The Clerk adopted two Internal Revenue Code Section 457 deferred compensation plans, one in November 1993 and the other in September 1997. The plans, available to all Clerk employees, permit them to defer a portion of their salary until future periods. Participation in the plan is optional. Effective with the first payroll in 2005, the Clerk has offered a match up to 6 percent of employee contributions. To be eligible for the matching contribution, eligible employees must be full-time staff with benefits who are vested in the Louisiana Clerks' of Court Retirement and Relief Fund. The Clerk's contributions for the year ending June 30, 2011, was \$147,384.

**Note 13 - Commitments and Contingencies**

The Clerk is involved in several legal actions, which arose during the ordinary course of business. Management believes that the Clerk has adequate legal defenses or insurance coverage with respect to each of these actions. However, the ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. In the opinion of management, the existing litigation will not materially affect the Clerk's results of operations or financial position.

**Note 14 - Expenses of the Clerk Paid by the City-Parish**

Certain operating expenditures of the Clerk's office are paid by the City of Baton Rouge/Parish of East Baton Rouge and are not included in the accompanying financial statements. The City Parish government paid juror and witness fees expenditures of \$308,147 for the year ending June 30, 2011.

**Note 15 - Leases -**

The Clerk of Court records items under capital leases as an asset and an obligation in the accompanying financial statements. At June 30, 2011, the Clerk of Court had no capital leases in effect.

The Clerk of Court has entered into various operating leases for machinery, vehicles, office space and warehouse space on various dates. The lease terms range from month to month and from one year to thirty-six months. These leases require a total monthly payment of \$17,339. Total rent expense under these leases for the year ended June 30, 2011 is \$190,857.

**EAST BATON ROUGE PARISH CLERK OF COURT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2011

Future minimum lease payments at June 30, 2011, is detailed as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amounts</u>
2012	\$ 62,050
2013	56,084
2014	13,294
2015	<u>728</u>
Total Minimum Lease Payments	<u>\$132,156</u>

The above schedule excludes lease payments made on a month to month agreement.

**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**

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December 22, 2011

To the Honorable Doug Welborn  
East Baton Rouge Parish Clerk of Court  
Baton Rouge, Louisiana

We have audited the financial statements of the governmental activities, the major fund (General Fund) and each fiduciary fund of the East Baton Rouge Parish Clerk of Court (a component unit of the East Baton Rouge Parish Council), as of and for the year ended June 30, 2011, which collectively comprises the East Baton Rouge Parish Clerk of Courts' basic financial statements and have issued our report thereon dated December 22, 2011. The report on the East Baton Rouge Clerk of Court was qualified because we were unable to satisfy ourselves as to the reasonableness of the accounts receivable and unsettled deposit balances recorded in the Advance Deposit Fund at June 30, 2011. Except as discussed in the preceding sentence, 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.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the East Baton Rouge Parish Clerk of Court's internal control over financial reporting as a basis for designing our auditing procedures 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 East Baton Rouge Parish Clerk of Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

### **Compliance and Other Matters**

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

The East Baton Rouge Parish Clerk of Court's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the East Baton Rouge Parish Clerk of Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Harold J. Bougeois, CPA*

**EAST BATON ROUGE PARISH CLERK OF COURT**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED JUNE 30, 2011**

**Current Year Findings:**

**(A) Finding - Internal Control over Financial Reporting**

**Finding 2011-1: Inability to reconcile the individual suit balances in the Clerk's Advance Deposit Fund with the corresponding unsettled deposits liability.**

*Condition and Criteria:* As in previous years, the individual suit balances and the corresponding unsettled deposits liability in the Clerk's Advance Deposit Fund (Fund) cannot be reconciled. The Clerk should be able to reconcile the individual suit balances to the unsettled deposits balances in the Clerk's Advance Deposit Fund.

*Effect:* The Clerk cannot substantiate that the amount recorded as accounts receivable is actually owed to the Fund and also cannot demonstrate that the amounts recorded as unsettled deposits is actually owed to others.

*Recommendation:* The Clerk's office should continue its effort to reconcile the individual suit balances and the unsettled deposits liability. It should also monitor the monthly deposits to and disbursements from the Fund during the year and investigate and reconcile any outages that occur.

*Management's Response:* (1) As reported in response to the same finding in previous audits, the Clerk's office has implemented a new accounting application to administer the Advanced Deposit Fund. The software "went live" in February 2006. The advancements afforded by the new system have significantly improved the accounting measures used in the administration of the Advanced Deposit Fund. (2) The Clerk's office has continued to monitor the monthly deposits and disbursements during the year ended June 30, 2011. No outages in the disbursements from the Fund or deposits to the Fund occurred during the year. (3) The outage referred to in the auditors' finding is an outage between what the reconciled cash balances total and the total as calculated by the software application previously used to track these account balances. The Clerk's office will not be able to identify the cause or be able to reconcile the account without an outage of some amount being present.

**(B) Finding - Compliance and Other Matters**

None

**EAST BATON ROUGE PARISH CLERK OF COURT**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**Prior Year Findings:**

**(A) Finding - Internal Control over Financial Reporting**

**Finding 2010-01: Inability to reconcile the individual suit balances in the Clerk's Advance Deposit Fund with the corresponding unsettled deposits liability.**

*Condition and Criteria:* The individual suit balances and the corresponding unsettled deposits liability in the Clerk's Advance Deposit Fund (Fund) cannot be reconciled. The Clerk should be able to reconcile the individual suit balances to the unsettled deposits balances in the Clerk's Advance Deposit Fund.

*Effect:* The Clerk cannot substantiate that the amount recorded as accounts receivable is actually owed to the Fund and also cannot demonstrate that the amount recorded as unsettled deposits is actually owed to others.

*Recommendation:* The prior year auditor recommended, the Clerk's office should continue its effort to reconcile the individual suit balances and the unsettled deposits liability. It should also monitor the monthly deposits to and disbursements from the Fund during the year and investigate and reconcile any outages that occur.

*Management's Response:* (1) As reported in response to the same finding in previous audits, the Clerk's office has implemented a new accounting application to administer the Advanced Deposit Fund. The software "went live" in February 2006. The advancements afforded by the new system have significantly improved the accounting measures used in the administration of the Advanced Deposit Fund. (2) The Clerk's office has continued to monitor the monthly deposits and disbursements during the year ended June 30, 2011. No outages in the disbursements from the Fund or deposits to the Fund occurred during the year. (3) The outage referred to in the auditors' finding is an outage between what the reconciled cash balances total and the total as calculated by the software application previously used to track these account balances. The Clerk's office will not be able to identify the cause or be able to reconcile the account without an outage of some amount being present.

**Finding 2010-02: Incomplete recording of activity in the bank accounts maintained by the Registry of the Court.**

*Condition and Criteria:* During our testing of account activity, we found recording discrepancies between the balances of some registry accounts and the recorded deposits, interest income, and withdrawals per the financial institutions in which those accounts were maintained. The amount of the difference was significant and correcting entries were necessary at year end.

**EAST BATON ROUGE PARISH CLERK OF COURT**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2011**

*Effect:* Adjustments were necessary to properly reflect the omitted activity within the fiduciary accounts. The assets and liabilities of the fiduciary fund could be understated.

*Recommendation:* The prior year auditor recommended that account activities and balances be reconciled with the respective financial institutions bank statements at least quarterly and discrepancies be resolved as discovered. In addition, they recommended that procedures be implemented to insure that new accounts, when opened, are recorded timely in the books of the Registry. The individual Registry files should indicate the date the bank account was opened and an acknowledgment by the individual responsible for recording the new account in the books.

*Management's Response:* The Clerk's office implemented the following two procedures to address and eliminate a recurrence of this finding. First, the interoffice form used for the in take of funds into the registry of the court was modified to include a signature line to indicate that the new accounts have been properly and timely set-up in the books of the registry. The form requires the responsible employee's signature or initials to indicate they have performed this function. Second, the account balances in the many registry accounts are confirmed with the two primary fiscal agents on a quarterly basis throughout the year.

*Corrective Action Taken:* The Registry of Court bank balances report provided to us balanced with the bank confirmation received so no discrepancies were noted between the internal generated report and the independent confirmation. The Clerk was able to resolve the condition identified in this finding during for the year ending June 30, 2011.

**(B) Finding - Compliance and Other Matters**

None