

**NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND**

BATON ROUGE, LOUISIANA

JUNE 30, 2014

L.A. CHAMPAGNE 
Certified Public Accountants

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TABLE OF CONTENTS

Independent auditor's report

Required supplementary information:

Management's discussion and analysis 1 – 7

Basic financial statements:

Statements

Government-wide financial statements:

1 Statement of net position 9

2 Statement of activities 10

Fund financial statements:

3 Balance sheet – governmental funds 11 – 12

4 Statement of revenues, expenditures, and changes in fund
balances – governmental funds 13 – 14

5 Statement of fiduciary net assets 15

Notes to basic financial statements 16 – 31

Required supplementary information:

Exhibits

1 Budgetary comparison schedule – general fund, indigent
transcript fund, and drug treatment fund 33 – 34

2 Budgetary comparison schedule – commissioners' fund 35

Notes to required supplementary information on budgetary
accounting and control 36 – 37

3 Other post employment benefits plan retiree health and dental
insurance programs – schedules of funding progress and
employer contributions 38

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* 39 – 40

Schedule of findings and responses 41 – 43

Management's corrective action plan 44 – 45

Schedule of corrective action taken on prior year findings 46

INDEPENDENT AUDITOR'S REPORT

Honorable Judges of the
Nineteenth Judicial District Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court – Judicial Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Judicial Expense Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court - Judicial Expense Fund as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 7 and 33 through 35, respectively, and the Schedules of Funding Progress and Employer Contributions of the fund's postemployment benefit plan on page 38 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 historic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the Nineteenth Judicial District Court - Judicial Expense Fund's internal control over financial reporting; 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* in considering Nineteenth Judicial District Court – Judicial Expense Fund's internal control over financial reporting and compliance.



December 1, 2014

REQUIRED SUPPLEMENTARY INFORMATION



NINETEENTH JUDICIAL DISTRICT

EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA

ANN B. McCRORY, J. D.
JUDICIAL ADMINISTRATOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Nineteenth Judicial District Court – Judicial Expense Fund (the JEF) provides an overview of the JEF's activities for the year ended June 30, 2014. Please read it in conjunction with the JEF's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

- The JEF experienced a decrease in total net assets of approximately \$1,229,000 or 38% percent.
- During the year, expenses exceeded revenue generated for governmental programs by \$1,229,000. Last year expenses exceeded revenues by \$589,000.
- Total cost of all the JEF's programs increased by \$725,000, and total revenues increased by \$85,000.
- The general fund reported a deficit this year of approximately (\$313,000). This is a decrease from last year's surplus which was \$229,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 - 10) provide information about the activities of the JEF as a whole and present a longer-term view of the JEF's finances. Fund financial statements (on pages 11 – 15) tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the JEF's operations in more detail than the government-wide statements by providing information about both of the JEF governmental funds.

Reporting the JEF as a Whole

Our analysis of the JEF as a whole begins on page 9. We believe the key question regarding JEF finances to be, “Is the JEF as a whole better or worse as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the JEF as a whole, and about its activities, in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the JEF’s net assets and changes in them. You can think of the JEF’s net assets—the difference between assets and liabilities—as one way to measure the JEF’s financial health, or financial position. Over time, increases or decreases in the JEF’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as number of cases handled by District Court as well as the number of judgeships approved by the State Legislature and the State’s economic condition to better assess the overall health of the JEF.

Currently, the JEF has only governmental activities that provide for personnel, equipment, supplies and other costs related to the proper administration of District Court. Primarily, court costs and fines finance these activities.

Reporting the JEF’s Funds

Our analysis of the JEF’s funds begins on page 11. The fund financial statements provide detailed information about the JEF’s funds, not the JEF as a whole. In addition to accounting for the fees for court costs, fines; appropriations from East Baton Rouge City – Parish, East Baton Rouge Clerk of Court and the Louisiana Supreme Court; and other revenues that finance activities of the District Court, the JEF also accounts for the appropriation received from the Louisiana Supreme Court to administer the Commissioners’ offices. Fees collected for the preparation of transcripts for indigent defenders are maintained in a separate special revenue fund in accordance with LA R. S. 13:965. The General Fund, the Commissioners’ Fund, and the Indigent Transcript Fund are governmental funds that focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures only cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the JEF’s operations and the services it provides. Governmental fund information helps you determine the amount of financial resources available to be spent in the near future to finance the JEF’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 following the fund financial statements.

THE JEF AS A WHOLE

The JEF's net assets decreased by approximately \$1,229,000 from (\$3,221,000) to (\$4,450,000), due to an increase in the JEF's net other post employment benefit obligation.

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the JEF's governmental activities.

Table 1
Net Assets

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Current and other assets	\$ 2,957,531	\$ 3,156,866	\$ (199,335)	(6) %
Capital assets	<u>52,618</u>	<u>62,086</u>	<u>(9,468)</u>	(15)
Total assets	<u>3,010,149</u>	<u>3,218,952</u>	<u>(208,803)</u>	(6)
Current liabilities	405,203	337,310	67,893	20
Long term liabilities	<u>7,054,601</u>	<u>6,102,794</u>	<u>951,807</u>	16
Total liabilities	<u>7,459,804</u>	<u>6,440,104</u>	<u>1,019,700</u>	16
Net assets:				
Invested in capital assets	52,618	62,086	(9,468)	(15)
Restricted by external legal constrai	912,579	782,059	130,520	17
Unrestricted	<u>(5,414,852)</u>	<u>(4,065,297)</u>	<u>(1,349,555)</u>	33
Total net assets	<u><u>\$(4,449,655)</u></u>	<u><u>\$(3,221,152)</u></u>	<u><u>\$(1,228,503)</u></u>	38 %

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by other legal restrictions, decreased by \$1,350,000 resulting in a deficit of \$5,415,000 at the end of this year.

The JEF's total revenues increased by one percent or \$85,000, and the total cost of all programs and services increased by \$725,000.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is provided. Of particular interest is its format that is significantly different than that of the typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net Revenue/(Expense). The reason for this kind of format is to highlight the relative financial burden of

each of the governmental functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Fees in the form of court costs and fines represent the majority of the revenues reported for the District Court function.

Table 2
Changes in Net Assets

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Revenues				
Fees and fines	\$ 2,220,210	\$ 2,399,420	\$ (179,210)	(7) %
Intergovernmental	6,629,033	6,372,064	256,969	4
Charges for services	194,046	193,159	887	0
Interest	7,702	6,283	1,419	23
Other	<u>5,869</u>	<u>484</u>	<u>5,385</u>	1,113
Total revenues	<u>9,056,860</u>	<u>8,971,410</u>	<u>85,450</u>	1
Program expenses				
District Court	9,857,444	9,151,189	706,255	8
Commissioners'	<u>427,921</u>	<u>409,545</u>	<u>18,376</u>	0
Total expenses	<u>10,285,365</u>	<u>9,560,734</u>	<u>724,631</u>	8
Increase (decrease) in net assets	<u><u>\$(1,228,505)</u></u>	<u><u>\$(589,324)</u></u>	<u><u>\$(639,181)</u></u>	3,501 %

THE JEF'S FUNDS

As the JEF completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$2,456,000, which is \$301,000 less than last year's total of \$2,757,000.

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to the prior year.

Table 3
General Fund Revenues and Expenditures

	2014		2013	
	Amount	Percent of Total	Amount	Percent of Total
Revenues				
Fees and fines	\$2,033,440	24 %	\$2,200,446	26 %
Intergovernmental	6,192,167	74	5,941,961	71
Charges for services	173,170	2	188,351	2
Interest	7,702	-	6,283	-
Other	5,869	-	484	-
Total revenues	8,412,348	100	8,337,525	100
Expenditures				
District Court	8,901,524	106	8,229,263	99
Capital outlay	7,409	1	18,842	-
Total expenditures	8,908,933	106	8,248,105	99
Excess (deficiency) of revenues over expenditures before transfers	(496,585)	(6)	89,420	1
Transfers	183,956	2	139,478	2
Excess of revenues over expenditures after transfers	\$ (312,629)	(4) %	\$ 228,898	3 %

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget was revised one time. The budget was amended to reflect the final budgetary fund balance for July 1, 2014, and to more accurately report projected revenues and operating expenditures. Each year the Court projects revenues based on the previous year's collections. This year there were variances involving bond forfeitures, which were \$101,000 less than the original projection, court defrayment costs/court costs which ended under budget projections by \$42,000 and court fines which were \$34,000 less than originally expected. The budget was revised to also more accurately reflect the inter-governmental funding to the JEF provided by the City of Baton Rouge/Parish of East Baton Rouge. Overall, the court's expenses were \$166,000 less than budgeted; which is related to various operational cost cutting initiatives and increases in intergovernmental reimbursements.

Capital equipment purchases decreased to \$7,000 in 2014 compared to \$19,000 for 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the JEF had \$362,000 invested in capital assets including computer equipment and office renovations. (See Table 4 below.) This represents a net increase of \$3,000 from last year. Capital additions totaled \$7,000 for the fiscal period.

Table 4
Capital Assets at Year-end

	<u>2014</u>	<u>2013</u>
Computer equipment, including software	\$ 240,599	\$ 240,528
Other office equipment	89,479	86,699
Furniture and fixtures	27,983	27,983
Office renovations	<u>3,964</u>	<u>3,964</u>
Totals	<u>\$ 362,025</u>	<u>\$ 359,174</u>

Debt

At year-end, the JEF had approximately \$6,422,000 in net other post retirement benefit obligations, which represents future liabilities for employees to continue to participate in the health, dental and life insurance programs upon and during retirement. This represents a eighteen percent increase from the prior year. The JEF also had an estimated \$697,000 for accrued compensated absences that represents the future liability for vacation earned but not used by District Court employees. This is a decrease of three percent from last year. (See Table 5 below.)

Table 5
Outstanding Debt at Year-end

	<u>2014</u>	<u>2013</u>
Net other post retirement obligations	6,422,003	5,451,699
Accrued compensated absences	<u>697,155</u>	<u>716,309</u>
	<u>\$7,119,158</u>	<u>\$ 6,168,008</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City-Parish of East Baton Rouge funds most of the District Court operations. The annual budget adopted by the City-Parish for 2014 largely remained unchanged from its prior year appropriation. This budget includes funding for salaries, retirement contributions, medical, dental, post employment benefits and some basic office expenses. The Court grants all eligible employees a three percent merit raise each year. The Court anticipates revenue collection to be flat in the upcoming fiscal period, and may have to liquidate some of its cash reserves to meet operating expenditures, in particularly the 7.6% increase in its required contribution to the LASERS retirement system, which currently costs 69% more than the Clerk's System. The Court consistently attempts to reduce operating expenses without jeopardizing the overall operations of the Court.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the JEF's finances and to show the JEF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Judicial Administrator's Office at 300 North Blvd., Suite 3606, Baton Rouge, Louisiana.



Derek Ransome
Director of Finance

BASIC FINANCIAL STATEMENTS

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF NET POSITION**

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash, including time deposits	\$ 2,624,507
Accounts receivable (net)	56,885
Receivable from other governments	231,675
Other	<u>45,970</u>
Total current assets	2,959,037
Noncurrent assets:	
Capital assets, net of depreciation	<u>52,618</u>
Total assets	<u>3,011,655</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ -</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	340,644
Accrued compensated absences	<u>64,557</u>
Total current liabilities	405,201
Noncurrent liabilities:	
Accrued compensated absences	632,598
Other post employment benefit obligation	<u>6,422,003</u>
Total liabilities	<u>7,459,802</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>\$ -</u>
 NET POSITION	
Net investment in capital assets	52,618
Restricted by external legal constraints	793,605
Unrestricted	<u>(5,294,370)</u>
Total net position deficit	<u>\$ (4,448,147)</u>

See accompanying notes to the basic financial statements.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF ACTIVITIES**
Year ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense)</u>
Functions/Programs					
Governmental activities:					
District Court	\$ 9,856,098	\$ 2,414,254	\$ 6,192,169	\$ -	\$ (1,249,675)
Commissioners'	<u>427,921</u>	<u>-</u>	<u>436,866</u>	<u>-</u>	<u>8,945</u>
Total governmental activities	<u>\$ 10,284,019</u>	<u>\$ 2,414,254</u>	<u>\$ 6,629,035</u>	<u>\$ -</u>	<u>(1,240,730)</u>
General revenues:					
Interest					4,860
Other					<u>8,873</u>
Total general revenues					<u>13,733</u>
Change in net position					(1,226,997)
Net position deficit - beginning of year					<u>(3,221,150)</u>
Net position deficit - end of year					<u>\$ (4,448,147)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash, including time deposits	\$ 2,495,369	\$ 129,138	\$ -	\$ 2,624,507
Accounts receivable (net)	4,788	-	-	4,788
Receivable from other governments	216,204	-	15,471	231,675
Due from other funds	<u>51,834</u>	<u>4,143</u>	<u>717,295</u>	<u>773,272</u>
Total assets and other debits	<u>\$ 2,768,195</u>	<u>\$ 133,281</u>	<u>\$ 732,766</u>	<u>\$ 3,634,242</u>
LIABILITIES				
Accounts payable	\$ 324,179	\$ 16,465	\$ -	\$ 340,644
Due to other funds	717,295	51,834	4,143	773,272
Accrued compensated absences	<u>64,557</u>	<u>-</u>	<u>-</u>	<u>64,557</u>
Total liabilities	<u>1,106,031</u>	<u>68,299</u>	<u>4,143</u>	<u>1,178,473</u>
FUND BALANCES				
Restricted:				
Special Revenue Funds	-	64,982	728,623	793,605
Unassigned	<u>1,662,164</u>	<u>-</u>	<u>-</u>	<u>1,662,164</u>
Total fund balances	<u>1,662,164</u>	<u>64,982</u>	<u>728,623</u>	<u>2,455,769</u>
Total liabilities and fund balances	<u>\$ 2,768,195</u>	<u>\$ 133,281</u>	<u>\$ 732,766</u>	<u>\$ 3,634,242</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2014

Total governmental fund balances		\$ 2,455,769
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 therefore are not reported in the funds.		52,618
Receivables that are not available to pay current period expenditures and therefore are not reported in the funds.		52,097
Some expenditures reported in the funds benefit a future period and are not reported as governmental activities of the current period.		45,970
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences	\$ (632,598)	
Other post retirement benefits	<u>\$ (6,422,003)</u>	<u>(7,054,601)</u>
Net position of governmental activities		<u>\$ (4,448,147)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2014

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
REVENUES				
Fees and fines	\$ 2,033,440	\$ -	\$ 186,770	\$ 2,220,210
Intergovernmental	6,192,169	436,866	-	6,629,035
Charges for services	173,169	-	-	173,169
Interest	4,860	-	-	4,860
Other	8,873	-	-	8,873
Total revenues	<u>8,412,511</u>	<u>436,866</u>	<u>186,770</u>	<u>9,036,147</u>
EXPENDITURES				
Current operations:				
District Court	8,901,686	-	-	8,901,686
Commissioners'	-	428,348	-	428,348
Capital expenditures	7,409	-	-	7,409
Total expenditures	<u>8,909,095</u>	<u>428,348</u>	<u>-</u>	<u>9,337,443</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	183,956	-	-	183,956
Operating transfers out	-	-	(183,956)	(183,956)
	<u>183,956</u>	<u>-</u>	<u>(183,956)</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EX- PENDITURES AND OTHER USES				
	<u>(312,628)</u>	<u>8,518</u>	<u>2,814</u>	<u>(301,296)</u>
Fund balances - beginning of year	<u>1,974,792</u>	<u>56,464</u>	<u>725,809</u>	<u>2,757,065</u>
Fund balances - end of year	<u>\$ 1,662,164</u>	<u>\$ 64,982</u>	<u>\$ 728,623</u>	<u>\$ 2,455,769</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2014

Net change in fund balances - total governmental funds \$ (301,296)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (9,468)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 20,875

Expenses reported in the statement of activities in the current period and reported as expenditures of governmental funds in the previous period. 14,700

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 governmental funds.

Compensated absences	\$ 18,526	
Net post employment benefit obligation	\$ <u>(970,334)</u>	<u>(951,808)</u>

Change in net assets of governmental activities \$ (1,226,997)

See accompanying notes to the basic financial statements.

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Due from other governments	\$ 19,987
Total assets and other debits	<u>\$ 19,987</u>
LIABILITIES	
Due to other governments	<u>\$ 19,987</u>
Total liabilities	<u>\$ 19,987</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nineteenth Judicial District Court Judicial Expense Fund (Judicial Expense Fund) (JEF) was created to account for the operations of the Nineteenth Judicial District Court.

Financial reporting entity

The Nineteenth Judicial District Court Expense Fund was established by a legislative act effective June 30, 1969. The act provides for the collection of fees in the form of court costs and fines, and provides for court reporters and such secretarial, clerical, research, administrative or other personnel as are deemed necessary to expedite the business and functions of the court. The Fund may also be used to pay for establishing and maintaining a law library, equipment, supplies and any other costs or expenses related to the proper administration of the court, except for the payment of judges' salaries.

The offices of Commissioner of the Nineteenth Judicial District Court were created by legislative act that provides for the appointment of two commissioners whose duties are assigned by the Chief Judge. These duties include hearing and making recommendations on criminal and civil proceedings arising out of the incarceration of state prisoners. The State of Louisiana appropriates funds for equipment, supplies, and the salaries and related benefits for employees of the Commissioners.

As the governing authority of the consolidated government, the City of Baton Rouge, Parish of East Baton Rouge (City-Parish) is the financial reporting entity for the consolidated government. The financial reporting entity consists of the primary government (City-Parish), and includes all component units of which the City-Parish appoints a voting majority of the units' board; the City-Parish is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The Judicial Expense Fund is part of the operations of the district court system that is fiscally dependent on the City-Parish. The City-Parish provides directly to the court office space, courtrooms, personal services, and other supplies and services. The nature of the relationship between the Judicial Expense Fund and the district court and the City-Parish is significant. Therefore, the Judicial Expense Fund 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 Judicial Expense Fund maintained by the Nineteenth Judicial District Court and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation

The Judicial Expense Fund's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The entity-wide financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Government-wide financial statements – The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except for the fiduciary fund described below. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund financial statements – The financial transactions of the Judicial Expense Fund are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Judicial Expense Fund uses the governmental fund type. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The funds of the Judicial Expense Fund are described as follows:

General fund - The general fund is the general operating fund and accounts for all activities of the Judicial Expense Fund except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary fund (agency fund) – The agency fund accounts for assets held by the Judicial Expense Fund in a purely custodial capacity.

Measurement focus and basis of accounting

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

Measurement focus – The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. All governmental funds utilize a current financial resources measurement focus in the fund financial statements. Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

Basis of accounting - The government-wide financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when “measurable and available.” Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Financial statement amounts

Cash, including time deposits – “Cash, including time deposits” includes all demand deposits, savings accounts money market accounts and certificates of deposit of the Judicial Expense Fund.

Interfund receivables and payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables are eliminated in the Statement of Net Position. Details of interfund receivables and payables at year end are found in Note J.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include amounts due from the Clerk of Court and attorneys for transcript charges.

Receivables are included in the fund financial statements if they are both measurable and available. Revenues are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is computed on the straight-line basis over the following estimated useful lives:

Computer equipment, including software	5 – 10 years
Other office equipment	5 – 10 years
Furniture and fixtures	10 – 20 years
Office renovations	10 – 20 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition. Capital assets reported herein include only those assets purchased by the Judicial Expense Fund and do not reflect assets of the court obtained from other sources.

Revenues

Substantially all government fund revenues are accrued. Those revenues include filing and license fees, fines, and court costs collected by other agencies and remitted to the Judicial Expense Fund in the following month, as well as, amounts due under appropriations and grant contracts, interest and dividend revenue, transcript charges to attorneys, and drug enforcement forfeitures collected by the District Attorney and paid annually or upon request. As a grant recipient, grant receivables and revenue are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Compensated absences

The annual and sick leave plan adopted by the JEF allows a maximum accumulation of 60 days of vacation leave. Certain employees hired before the current annual and sick leave plan was adopted can accumulate more than the 60 days maximum allowed under the current plan. Upon termination, employees are paid for the unused vacation leave. Sick leave is allowed to accrue and accumulate, however, such sick leave benefits are payable only upon absence from work for medical reasons. Upon termination, accumulated sick leave lapses, and no payments are made for the unused accumulations.

Certain employees of District Court may accrue up to 34.25 days of compensatory time in lieu of overtime payment. The Judicial Expense Fund pays compensatory leave up to the maximum accrual amounts upon termination, resignation, retirement or death. Whenever an employee exceeds the maximum accrual amounts, the excess is paid to the employee during the following month.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Judicial Expense Fund records a liability for 100% of the accrued vacation and compensatory time for each employee up to the respective maximums at the employees' current rate of pay. Additionally, applicable social security and Medicare costs are added to the accrued leave as computed above.

GASB Statement No. 16 requires the accrual for sick leave if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. Since the amount of accumulated sick leave lapses upon termination, no amount has been accrued.

The amounts shown in the accompanying financial statements for accrued compensated absences represent the liability for all employees of the District Court except the judges and the commissioners.

The non-current 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.

Deferred compensation

Certain employees of the Nineteenth Judicial District Court participate in the Court's Deferred Compensation Plan or the State of Louisiana Deferred Compensation Plan. These plans were adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plans are included in the separately issued audit reports for the Plans. The Nineteenth Judicial District Court Plan audit report is available from the plan's administrator, Nationwide Retirement Solutions, and the State of Louisiana Deferred Compensation Plan is available from the State of Louisiana.

Interfund transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. All transfers between individual governmental funds have been eliminated on the statement of activities.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

Fund balances of the governmental funds are classified as follows:

Restricted – amounts that can be spent only for specific purposes under enabling legislation.

Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first, then unrestricted resources as they are needed.

B: CASH AND INVESTMENTS

Cash includes amounts in demand deposits and time deposits. Under state law, the Judicial Expense Fund 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.

At June 30, 2014, the Judicial Expense Fund had cash (book balances) as follows:

Interest bearing demand deposits	\$ 1,890,122
Non-interest bearing demand deposits	<u>734,385</u>
	<u>\$ 2,624,507</u>

These deposits are stated at cost, which approximates fair market value. 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 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. Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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 Judicial Expense Fund that the fiscal agent has failed to pay deposited funds upon demand.

Custodial credit risk is the risk that in the event of a bank failure, the Judicial Expense Fund's deposits may not be returned to it. The Judicial Expense Fund does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,427,696 of the Judicial Expense Fund's bank balance of \$2,677,696 was exposed to custodial credit risk as follows:

Uninsured and collateral held by fiscal agent bank's trust department not in the Judicial Expense Fund's name	\$ <u>2,427,696</u>
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C: ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists mostly of amounts due from the Clerk of Court and attorneys for transcript charges. Detail of the receivables at June 30, 2014 is as follows:

Transcripts	\$ 65,994
Less allowance for doubtful accounts	<u>12,219</u>
	53,775
Other receivables	<u>3,110</u>
Accounts receivable (net)	<u><u>\$ 56,885</u></u>

The allowance for doubtful accounts was established based on historical trends and other information. At June 30, 2014, \$57,228 of the transcripts receivable were past due ninety days or more.

D: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables due at June 30, 2014 are as follows:

General fund	
City of Baton Rouge / Parish of EBR	\$ 315
East Baton Rouge Parish Sheriff	160,830
East Baton Rouge Clerk of Court	9,144
Louisiana Supreme Court	<u>45,915</u>
	<u><u>\$ 216,204</u></u>
Indigent transcript fund	
East Baton Rouge Parish Sheriff	<u><u>\$ 15,471</u></u>

E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Computer equipment, including software	\$ 240,528	\$ 4,629	\$ 4,558	\$ 240,599
Other office equipment	86,699	2,780	-	89,479
Furniture and fixtures	27,983	-	-	27,983
Office renovations	3,964	-	-	3,964
Totals at historical cost	<u>359,174</u>	<u>7,409</u>	<u>4,558</u>	<u>362,025</u>
Less accumulated depreciation				
Computer equipment, including software	217,510	7,325	4,558	220,277
Other office equipment	57,023	8,394	-	65,417
Furniture and fixtures	22,092	762	-	22,854
Office renovations	463	396	-	859
Totals at historical cost	<u>297,088</u>	<u>16,877</u>	<u>4,558</u>	<u>309,407</u>
Capital assets, net	<u>\$ 62,086</u>	<u>\$ (9,468)</u>	<u>\$ -</u>	<u>\$ 52,618</u>

Depreciation expense was charged to governmental activities as follows:

District Court	\$ 16,735
Commissioners'	142
	<u>\$ 16,877</u>

F: LONG-TERM DEBT

As of June 30, 2014, the governmental long-term debt consisted of the following:

Accrued compensated absences:	
Current portion	\$ 64,557
Non-current portion	632,598
Total governmental activity debt	<u>\$ 697,155</u>

F: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due within One Year
Accrued Compensated Absences	\$ 716,309	\$ -	\$ 19,154	\$ 697,155	\$ 64,557

See note I for other post employment benefit obligation liabilities.

G: SALARY EXPENDITURES

The Judicial Expense Fund administers the payroll for all District Court employees excluding the judges and the commissioners. The Parish of East Baton Rouge reimburses the fund for those salaries disbursed by the fund but appropriated in the City-Parish budget. Also, the Clerk of Court reimburses the Fund for a portion of the salary of an employee who works for both the Nineteenth Judicial District Court and the East Baton Rouge Parish Clerk of Court.

H: PENSION PLANS

Louisiana State Employees Retirement System

Plan Description. The employees of the Commissioners' offices, whose salaries are paid from an appropriation from the State of Louisiana, court reporters hired after June 30, 2003 and all other court employees hired after January 1, 2009 are members of the Louisiana State Employees Retirement System ("System"), a public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate Board of Trustees. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System was established and provided for within Title 11 Chapter 401 of the Louisiana Revised Statutes (LRS). The Louisiana State Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Louisiana State Employees Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling 1-800-256-3000.

Funding Policy. Plan members are required by state statute to contribute 7.5%, 8% for employees hired after July 1, 2006, of gross salary to which District Court added a 31.3% and 29.1% contribution as an employer's match for the years ended June 30, 2014 and 2013, respectively. The contribution requirements of plan members and the JEF are established and may be amended by the System's Board of Trustees. The JEF and Commissioners' offices statutory and actual contributions for the years ending June 30, 2014, 2013, and 2012 were \$806,605, \$632,066, and \$475,181, respectively.

H: PENSION PLANS (Continued)

The JEF had no net pension obligation with respect to the system at June 30, 2014.

Louisiana Clerks of Court Retirement and Relief Fund

Plan Description. Other court employees, whose salaries are expenditures of the JEF, are members of the Louisiana Clerks of Court Retirement and Relief Fund (Fund), a multiple-employer, cost sharing public employee retirement system, controlled and administered by a separate Board of Trustees. The Fund provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Fund was established and provided for within Title 11 Chapter 1502 of the LRS. 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 JEF is required to contribute at an actuarially determined rate. The JEF contributed a rate of 18.50% and 17.25% of annual covered payroll for the years ended June 30, 2014 and 2013, respectively. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the JEF are established and may be amended by state statute. As provided by Louisiana Revised Statute 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 JEF's contributions to the System for the years ending June 30, 2014, 2013, and 2012 were \$478,387, \$477,043, and \$521,268, respectively, which were equal to the required contributions for each year.

Louisiana School Employees' Retirement System

Plan Description. One court employee, whose salary is an expenditure of the JEF, is a member of the Louisiana School Employees' Retirement System (Fund), a multiple-employer, cost sharing public employee retirement system, controlled and administered by a separate Board of Trustees. The Fund provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Fund was established and provided for within Title 11 Chapter 1001 of the LRS. 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 School Employees' Retirement System, 8660 United Plaza Blvd., Baton Rouge, Louisiana 70809, or by calling 225-925-6484.

Funding Policy. Plan members are required by state statute to contribute 7.50% of their annual covered salary and the JEF is required to contribute at an actuarially determined rate. The Court contributed a rate of 32.30% and 30.80% of annual covered payroll for the years ended June 30, 2014 and 2013, respectively. The contribution requirements of plan members and the JEF are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:1001, 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.

H: PENSION PLANS (Continued)

The JEF's contribution to the System for the years ending June 30, 2014 and 2013 were \$11,472 and \$10,933.

I: OTHER POST EMPLOYMENT BENEFITS

The JEF is a component unit of the City-Parish and its employees participate in the City-Parish health benefits program. The City-Parish's other post-employment benefits plan (OPEB) 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.

Retirees may continue their coverage under the City-Parish's health plans in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972 and amended by Metropolitan Council Resolution 42912 adopted November 12, 2003. Based on current practices, upon retirement, a totally vested employee may continue his coverage paying the same premiums and receiving the same benefits as active employees. If the participant meets the criteria for retirement, the government pays the following percentages of scheduled premiums:

<u>Years of Service</u>	<u>Vested Percentage</u>
Fewer than 10	25%
10 – 15 years	50%
15 – 20 years	75%
Over 20 years	100%

Funding policy

The contribution requirements of the employees/retirees and the City-Parish and participating City-Parish employers are established in the annual City-Parish operating budget and may be amended in subsequent years. During 2012, the health/dental plan was funded with employees and retirees contributing from 25% to 48% of the health and dental premium and the City-Parish contributing from 52% to 75% of the health and dental premiums, dependent upon the number of family members covered. Effective January 1, 2003, the employer portion of pay-as-you-go OPEB insurance premiums are allocated over all employers and funds that participate in the OPEB plan.

Annual OPEB Cost and Net OPEB Obligation

The City-Parish'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 Section P50 of the *GASB Codification of Government Accounting and Financial Reporting Standards*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2013, biannual actuarial valuation performed by an outside actuary consultant. These components of OPEB were allocated to the JEF based on its proportionate share of total contributions made in the previous year.

I: OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following table shows the components of the JEF's annual OPEB cost for the year end December 31, 2013 and the amount actually contributed to the plan during the year:

Annual required contribution (ARC)	\$ 1,347,949
Interest on net OPEB obligation	221,965
Adjustment to ARC	<u>(220,527)</u>
Annual OPEB cost (expense)	1,349,387
Less: Contributions made	<u>(379,053)</u>
Increase in net OPEB obligation	970,334
Net OPEB obligation-beginning of year	<u>5,451,669</u>
Net OPEB obligation-end of year	<u><u>\$ 6,422,003</u></u>

Trend Information for OPEB Plan:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	1,287,392	29.1%	4,519,391
12/31/12	1,290,773	27.8%	5,451,699
12/31/13	1,349,387	28.1%	6,422,003

Funding status and funding progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The JEF's allocated portion of the actuarial accrued liability for benefits was approximately \$6,422,003 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 employer are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

I: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding progress for the most recent valuation date is as follows:

Actuarial Valuation Date	January 1, 2013
Actuarial Accrued Liability (AAL)	\$ 18,803,148
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 18,803,148</u>
Funded Ratio (Actuarial Value of Assets/AAL)	0%
Covered Payroll (active plan members)	\$ 3,250,367
UAAL as a percentage of covered payroll	578%

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit 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 projected unit credit actuarial cost method was used for the January 1, 2013, actuarial valuation. Because the government currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical (and expected investment that are expected to be used in financing the payment of benefits). The actuarial assumptions included a four percent investment rate of return, compounded annually.

Life expectancies were based on the Sex Distinct 2000 Combined Healthy Mortality Table projected to 2014 using Scale AA. Turnover rates were based on the government's historical data and modified based on years of employment. Probabilities of disability, retirement rates, and withdrawal rates are based on the government's historical data using probabilities for the government's retirement systems.

Both historical retiree claim costs and year 2013 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 2.5%, the plan assumes a medical inflation rate of 5.6% beginning in 2013, decreasing to a rate of 4.5% in 2088. The actuarial valuation also assumes that (1) seventy-five to eight-five percent of employees are assumed to elect retiree medical coverage upon retirement; (2) female spouses are assumed to be three years younger than males; (3) fifty-five percent of employees are assumed to be married at retirement and elect spouse's coverage; (4) zero percent of employees will have dependent children at retirement; (5) one hundred percent of employees will elect Medicare coverage when they are first eligible; and (6) ten percent of participants hired prior to April 1, 1986, are assumed to be ineligible for Medicare upon reaching age sixty-five. However, all spouses of retirees are assumed to be Medicare eligible upon reaching age sixty-five.

I: OTHER POSTEMPLOYMENT BENEFITS (Continued)

The amortization method for the plan is a level percentage of the payroll with a thirty year open amortization. The expected long-term payroll growth rate was estimated at 3.0 percent, compounded annually. The remaining amortization period at January 1, 2013, was thirty years.

Life insurance benefits

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all employees who retire after May 1, 1976 have \$3,000 of term life insurance coverage. The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account.

The Judicial Expense Fund does not recognize expenditures for these life insurance benefits since they are provided by the City-Parish.

Commissioners' Office Employees

In addition to the pension benefits described in Note H, the State of Louisiana provides post-retirement health care benefits. LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the commissioners' office to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the commissioners' employees become eligible for those benefits if they reach normal retirement age while working for the Commissioners' office. Monthly premiums are paid jointly by the employees and the employer (from the Commissioners' office appropriation) for active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMO's authorized by Group Benefits.

The Judicial Expense Fund does not recognize expenditures for these benefits since they will be included in the annual appropriation from the State of Louisiana.

J: INTERFUND TRANSACTIONS

The following is a summary of amounts due from and due to other funds at June 30, 2014:

	Due to:				Total
	General Fund	Commis-sioners' Fund	Indigent Transcript Fund	Drug Treatment Fund	
<u>Due from:</u>					
General Fund	\$ -	-	\$ 704,117	\$ 13,178	\$ 717,295
Commissioner's Fund	51,834	-	-	-	51,834
Indigent Transcript Fund	-	4,143	-	-	4,143
	<u>\$ 51,834</u>	<u>4,143</u>	<u>\$ 704,117</u>	<u>\$ 13,178</u>	<u>\$ 773,272</u>

J: INTERFUND TRANSACTIONS (Continued)

Outstanding balances between funds reported as “due to/due from other funds” includes charges by one fund to another for services and/or goods outstanding at year end and are expected to be settled within the next year.

The operating transfers in or out during the year ended June 30, 2014 are as follows:

	<u>Transfers to:</u> General Fund
<u>Transfers from:</u> Indigent transcript fund	\$ 183,956

Transfers are substantially for the purposes of subsidizing operating functions. Court reporters are paid from the general fund, and the indigent transcript fund reimburses the general fund whenever the transcript is categorized as “indigent.” Whenever expenditures for the Commissioners’ offices exceed the state appropriation, the general fund covers the excess.

K: CONCENTRATIONS OF CREDIT AND OTHER RISKS

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies and the State of Louisiana. The majority of the other receivables are due from Louisiana attorneys who practice before the court. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish and the State of Louisiana.

Included in general fund intergovernmental revenue is an appropriation from the East Baton Rouge City – Parish for salaries and related employment taxes and benefits as well as for supplies and other services in the amount of \$5,660,845. General fund intergovernmental revenue also includes funding from the Clerk of Court of East Baton Rouge Parish for salaries and related employment taxes and benefits in the amount of \$30,320, as well as \$171,606 in salaries and related employment taxes and benefits from the Louisiana State Supreme Court. The Commissioner’s fund is totally supported by an appropriation from the Louisiana Supreme Court in the amount of \$436,866. The Court is dependent upon continued funding from these entities.

L: SUBSEQUENT EVENTS

Subsequent events were evaluated through December 1, 2014, which is the date the financial statements were available to be issued.

M: CONTINGENCIES

The Nineteenth Judicial District Court Drug Lab (“Drug Lab”) is named as a defendant in a lawsuit seeking unspecified damages related to a failed drug test. The Drug Lab intends to vigorously defend this lawsuit and claim but JEF management is unable to evaluate the outcome of this matter or estimate the amount of any liability that may result from an unfavorable resolution. JEF management is seeking to include the Louisiana State Attorney General as a third party in the suit.

REQUIRED SUPPLEMENTARY INFORMATION

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND, INDIGENT TRANSCRIPT FUND AND
DRUG TREATMENT FUND**

Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance - July 1, 2013	\$ 2,411,753	\$ 2,700,601	\$ 2,700,601	\$ -
Resources (inflows):				
Fees and fines:				
Clerk of Court - civil and probate filing fees	144,000	144,800	145,725	925
East Baton Rouge Parish Sheriff:				
Court costs	220,400	198,500	197,312	(1,188)
Court defrayment costs	67,000	46,200	46,537	337
Bail bond forfeitures	175,000	74,200	83,527	9,327
Fines	883,900	849,900	827,152	(22,748)
Indigent transcript fees	200,000	185,700	185,854	154
Drug lab fees	183,500	170,200	171,556	1,356
East Baton Rouge District Attorney:				
Drug enforcement forfeitures	66,750	70,000	102,889	32,889
Bail bond license fees	421,500	439,800	438,698	(1,102)
Louisiana Department of Public Safety - license fees	20,000	18,100	20,838	2,738
Intergovernmental:				
Louisiana Supreme Court:				
Drug court appropriation	540,000	540,000	531,323	(8,677)
City of B.R./Parish of E.B.R.:				
Compensation and Benefits	5,632,250	5,771,000	5,660,845	(110,155)
Charges for services:				
Transcript charges to attorneys	170,000	156,000	143,781	(12,219)
Program fees	35,000	28,400	29,389	989
Interest	4,400	4,900	4,860	(40)
Other	1,250	1,100	8,995	7,895
Total resources	<u>8,764,950</u>	<u>8,698,800</u>	<u>8,599,281</u>	<u>(99,519)</u>
Amounts available for appropriation	11,176,703	11,399,401	11,299,882	(99,519)

Continued

Exhibit 1 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final - as Restated</u>		
Charges to appropriations (outflows):				
District Court:				
Personal services:				
Salaries, payroll taxes and benefits	7,576,550	7,845,100	7,698,546	146,554
Supplies:				
Office supplies	120,000	110,450	108,228	2,222
Computer supplies	32,000	29,800	31,881	(2,081)
Drug screen lab supplies/services	105,800	91,125	94,099	(2,974)
Dues and subscriptions	104,000	112,500	128,499	(15,999)
Other	1,500	875	1,262	(387)
Contractual services:				
Legal and other professional fees	52,000	58,400	54,170	4,230
Drug treatment services	544,000	542,200	530,869	11,331
Surety bonds/group insurance	9,500	37,700	49,235	(11,535)
Other contractual services	19,500	13,900	13,318	582
Travel, meetings and conferences	89,000	86,500	74,832	11,668
Equipment repair and maintenance	56,100	53,300	56,612	(3,312)
Equipment	54,000	54,100	60,135	(6,035)
Capital outlay	10,000	10,000	7,409	2,591
Total charges to appropriations	<u>8,773,950</u>	<u>9,045,950</u>	<u>8,909,095</u>	<u>136,855</u>
Budgetary fund balance - June 30, 2014	<u>\$ 2,402,753</u>	<u>\$ 2,353,451</u>	<u>\$ 2,390,787</u>	<u>\$ 37,336</u>

COMPENSATION FUND FOR JURORS IN CRIMINAL CASES

	Agency Fund			
Budgetary fund balance - July 1, 2013	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Criminal juror compensation	-	-	-	-
Charges to appropriations (outflows):				
Criminal juror compensation	-	-	-	-
Budgetary fund balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE - COMMISSIONERS' FUND**

Year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance (deficit) - July 1, 2013	\$ -	\$ -	\$ 56,464	\$ 56,464
Resources (inflows):				
Intergovernmental:				
State of Louisiana	436,866	436,866	436,866	-
Total resources	436,866	436,866	436,866	-
Amounts available for appropriation	436,866	436,866	493,330	56,464
Charges to appropriations (outflows):				
Commissioners':				
Personal services:				
Salaries	303,919	303,919	279,845	24,074
Group benefits:				
Payroll taxes	2,407	2,407	2,575	(168)
Group insurance	35,875	35,875	33,035	2,840
Retirement	87,621	87,621	81,608	6,013
Supplies:				
Office supplies	235	235	4,396	(4,161)
Computer supplies	841	841	4,890	(4,049)
Dues and subscriptions	325	325	335	(10)
Other	50	50	1,081	(1,031)
Contractual services:				
Legal and other professional fees	464	464	3,000	(2,536)
Other contractual services	200	200	224	(24)
Parking fees	50	50	-	50
Travel, meetings and conferences	1,268	1,268	1,589	(321)
Equipment repair and maintenance	1,186	1,186	3,330	(2,144)
Telephone	350	350	844	(494)
Legal research	2,075	2,075	11,596	(9,521)
Total charges to appropriations	436,866	436,866	428,348	8,518
Budgetary fund balance - June 30, 2014	\$ -	\$ -	\$ 64,982	\$ 64,982

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL**

June 30, 2014

Budgetary accounting and control

Budget law

The Judicial Expense Fund prepares the annual combined operating budget for the general fund, the indigent transcript fund, and the drug treatment fund under the provisions of the Louisiana Municipal Budget Act. In accordance with those provisions, the following procedures are used in adopting the annual budget for these funds:

- (1) An operating budget is prepared at least fifteen days prior to the commencement of the budgetary fiscal year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- (2) The budget is available for public inspection at least fifteen days prior to the beginning of the fiscal year.
- (3) The budget is adopted after consideration of public comment, if any, and authorized for implementation on the first day of the fiscal year.
- (4) The budgets are prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by character (personal services, group benefits, supplies, contractual services and capital outlay). Total expenditures constitute the legal level of control. Expenditures may not exceed the sum of appropriations plus the unreserved prior year fund balance. The budget may be revised during the year as estimates regarding revenues and expenditures change.
- (5) Appropriations lapse at the end of each fiscal year.

With regard to the Commissioners' fund, which is an appropriation of the Louisiana Supreme Court for the operation of the commissioners' offices, the Judicial Budgetary Control Board governs the budget. R.S. 39:4B exempts the judiciary of the state from the State Division of Administration budgetary control, and since budgetary reporting for the Commissioners' Fund is the responsibility of the Judicial Budgetary Control Board, the Nineteenth Judicial District Court is of the opinion that the Commissioners' Fund is also not subject to the Local Government Budget Act (R.S. 39:1301-14), in particular, those requirements relating to public hearings and advertisement. Accordingly, the Commissioners' Fund budget to actual presentation will utilize the budget data formulated under the auspices of the Judicial Budgetary Control Board.

These procedures are followed in establishing the budgetary data reflected in the financial statements with regard to the special revenue fund:

- (1) An operating budget is prepared for the commissioners' fund prior to the commencement of the budgetary fiscal year and submitted to the Judicial Budgetary Control Board. The operating budget includes proposed expenditures for the upcoming year.
- (2) All funds remaining unexpended or unencumbered at year end are returnable to the state general fund at the direction of the Supreme Court.
- (3) Any surpluses occurring in the appropriation may be transferred from one line item to another during the fiscal year.

Budgetary accounting

The General Fund, Indigent Transcript Fund and the Commissioners' Fund budgets are prepared and presented using the modified accrual basis of accounting.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
OTHER POST EMPLOYMENT BENEFITS PLAN
RETIREE HEALTH AND DENTAL INSURANCE PROGRAMS**

Year ended December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered ((b-a)/c)</u>
12/31/13	01/01/13	-	18,803,148	18,803,148	0.0%	3,250,367	578%
12/31/12	01/01/11	-	19,660,545	19,660,545	0.0%	3,062,645	642%
12/31/11	01/01/11	-	19,609,046	19,609,046	0.0%	3,054,623	642%
12/31/10	01/01/09	-	16,402,348	16,402,348	0.0%	3,024,062	542%
12/31/09	01/01/09	-	17,096,518	17,096,518	0.0%	3,152,045	542%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB costs Contributed</u>	<u>Increase to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
12/31/13	1,349,387	379,053	28.09%	970,334	6,422,003
12/31/12	1,290,773	358,495	27.77%	932,278	5,451,669
12/31/11	1,287,392	374,198	29.07%	913,194	4,519,391
12/31/10	1,138,313	374,895	32.93%	763,418	3,606,198
12/31/09	1,186,488	268,668	22.64%	917,820	2,845,196

**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**

Honorable Judges of the
Nineteenth Judicial District Court

We have audited, in accordance with the auditing standards generally accepted in the United America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court – Judicial Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Nineteenth Judicial District Court – Judicial Expense Fund's basic financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nineteenth Judicial District Court – Judicial Expense Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-1 and 2014-2.

Nineteenth Judicial District Court – Judicial Expense Fund's Response to Findings

The Nineteenth Judicial District Court - Judicial Expense Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Nineteenth Judicial District Court - Judicial Expense Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana R.S. 24:513, this report is distributed by the Legislative Auditor as a public document.



December 1, 2014

**NINETEENTH JUDICIAL DISTRICT COURT –
JUDICIAL EXPENSE FUND
SCHEDULE OF FINDINGS AND RESPONSES**
Year Ended June 30, 2014

A: SUMMARY OF AUDIT RESULTS

1. The auditor expresses an unmodified opinion on the financial statements of the Nineteenth Judicial District Court – Judicial Expense Fund.
2. No significant deficiencies or material weaknesses in internal controls related to the audit of the financial statements of the Nineteenth Judicial District Court – Judicial Expense Fund are reported in the “Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.”
3. Two instances of noncompliance items 2014-1 and 2014-2, material to the financial statements of the Nineteenth Judicial District Court – Judicial Expense Fund were disclosed during the audit.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. A management letter was not issued in conjunction with this engagement.
8. Not applicable.
9. Not applicable.
10. Not applicable.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

None

COMPLIANCE

2014-1 Public Bid Law

Condition: Aggregate purchases of toner for printers amounted to \$31,665 in fiscal 2014. The supplies were purchased without advertising for bids on the contract.

Criteria: LSA-RS 38:2212.1 requires that purchases of supplies exceeding \$30,000 be advertised and let by contract to the lowest responsible bidder who has bid according to the advertised specifications.

Effect: Without bids to compare of vendor's prices, the Court may not receive the best price for its supplies.

Cause: During the year the Court acquired new printers which in turn created an increased need for toner cartridges not anticipated when originally estimating the amount of annual purchases. It was not anticipated that acquisition of toner would exceed \$30,000 and be subject to bid requirements.

Auditor's Recommendation: Exercise greater care in estimating aggregate annual expenditures for supplies and services to determine the need for advertising for bids as required under LSA-RS 38:2212.1.

Management Response: Management acknowledges the condition as described above. Management will more carefully estimate annual expenditures and promptly react to changes in circumstances which could trigger the requirement to advertise for bids.

2014-2 Advance of Funds

Condition: In processing a payment for annual leave, an employee was over paid \$1,654.50 for leave time that had not been earned.

Criteria: Louisiana Constitution Article 7 Section 14 prohibits a governmental entity from loaning or advancing funds to an individual.

Effect: The overpayment is a technical violation of the Louisiana Constitution Article 7 Section 14.

Cause: An inadvertent error in the calculation of an employee's annual leave payment resulted in the overpayment.

Auditor's Recommendation: Contact the employee and request reimbursement of the amount paid in error.

Management Response: Management acknowledges the condition as described above. The issue has been discussed with the employee who has agreed to repay the advance through payroll deduction.



NINETEENTH JUDICIAL DISTRICT

EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA

ANN B. McCRORY, J. D.
JUDICIAL ADMINISTRATOR

SUITE 3602, 300 NORTH BLVD.
BATON ROUGE, LA 70801
TELEPHONE: (225) 389-4744
FAX: (225) 389-4774
amccrory@brgov.com

December 1, 2014

The Nineteenth Judicial District Court – Judicial Expense Fund respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and Address of independent public accounting firm:

L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, LA 70808

Audit period: Year ended June 30, 2014

The findings from the 2014 schedule of findings and questioned cost are discussed below. The findings are number consistently with the number assigned to the schedule.

2014-1 Public Bid Law

Condition: Aggregate purchases of toner for printers amounted to \$31,665 in fiscal 2014. The supplies were purchased without advertising for bids on the contract.

Action Taken: Management acknowledges the condition as described above. Management will more carefully estimate annual expenditures and promptly react to changes in circumstances which could trigger the requirement to advertise for bids.

2014-2 Advance of Funds

Condition: In processing a payment for annual leave, an employee was over paid \$1,654.50 for leave time that had not been earned.

Management Response: Management acknowledges the condition as described above. The issue has been discussed with the employee who has agreed to repay the advance through payroll deduction.

If there are any questions regarding this plan, please call me at 225-389-4744.



Ann McCrory
Judicial Administrator
Nineteenth Judicial District Court – Judicial Expense Fund

**NINETEENTH JUDICIAL DISTRICT COURT –
JUDICIAL EXPENSE FUND
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS**
Year Ended June 30, 2014

None required