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**CITY COURT OF  
LAKE CHARLES, LOUISIANA  
CITY OF LAKE CHARLES, LOUISIANA  
COMPONENT UNIT FINANCIAL REPORT  
DECEMBER 31, 2002**

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 9/10/03

CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2002

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CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2002

JUDGES

Honorable John S. Hood  
Honorable Thomas P. Quirk

LEGAL COUNSEL

(none)

JUDGE                      JUDGE

| CIVIL SUPERVISOR<br>(CHIEF CLERK) | MIS<br>MANAGER | JUDGES<br>SECRETARY | ACCOUNTANT/<br>COMPTROLLER | VIOLATION SUPERVISOR<br>(CHIEF CLERK) |
|-----------------------------------|----------------|---------------------|----------------------------|---------------------------------------|
| CHIEF DEPUTY CLERK                |                |                     |                            | CHIEF DEPUTY CLERK                    |
| COURT DEPUTY CLERK                |                |                     |                            | COURT DEPUTY CLERK                    |
| GARNISHMENT DEPUTY CLERK          |                |                     |                            | COMPUTER DEPUTY CLERK                 |
| DATA ANALYST II DEPUTY CLERK      |                |                     |                            | JUVENILE DEPUTY CLERK                 |
| DATA ANALYST I DEPUTY CLERK       |                |                     |                            | COLLECTION DEPUTY CLERK               |
|                                   |                |                     |                            | PART TIME COLLECTION CLERK            |

# McELROY, QUIRK & BURCH

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## REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, Louisiana

We have audited the accompanying basic financial statements of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City Court of Lake Charles, Louisiana management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City Court of Lake Charles, Louisiana, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1B, the City Court of Lake Charles, Louisiana, has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2002.

Management's discussion and analysis on pages 7 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City Court of Lake Charles, Louisiana, has not presented the budgetary comparison information for the general fund or special revenue fund that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2003, on our consideration of the City Court of Lake Charles, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ms Elroy, Quirk & Burch*

Lake Charles, Louisiana

March 7, 2003



**CITY COURT**  
**WARD 3 CALCASIEU PARISH**  
P.O. BOX 1664  
LAKE CHARLES, LOUISIANA 70602-1664  
[www.lakecharlescitycourt.com](http://www.lakecharlescitycourt.com)

THOMAS P. QUIRK, JUDGE  
JOHN S. HOOD, JUDGE  
Judges Office 491-1305  
Facsimile 491-8676

CIVIL SECTION 491-1564  
VIOLATION BUREAU 491-1565  
Facsimile 491-1303

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Lake Charles City Court's financial performance provides an overview of the City Court's financial activities for the year ended December 31, 2002.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of City Court as a whole and present a longer-term view of the City Court's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as an agent for the benefit of those outside of the government.

**Reporting the City Court as a Whole**

**The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the City Court 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 City Court's net assets and changes in them. The City Court's net assets - the difference between assets and liabilities - as one way to measure the City Court's financial position. Over time, increases or decreases in the City Court's net assets are one indicator of whether its financial health is improving or deteriorating.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City Court as a whole. Some funds are required to be established by State law. However, the City Court establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. City Court's governmental fund uses a certain account approach described below:

Governmental funds - All of the City Court's basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified 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 City Court's general government operations and the basic 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 City Court's programs.

### **Reporting the City Court's Fiduciary Responsibilities**

The City Court is the agent, or fiduciary for the civil fund. All the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **THE CITY COURT AS A WHOLE**

For the year ended December 31, 2002, net assets changed as follows:

|                        |                   |
|------------------------|-------------------|
| Beginning net assets   | \$ 338,354        |
| Increase in net assets | <u>35,159</u>     |
| Ending net assets      | <u>\$ 373,513</u> |

This reflects an increase due to the bill RS 13:1907 being passed for City Court stating that "the civil fee account and such fee or cost has remained unclaimed in excess of five years and upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund, the judge of the court may transfer the amount of the surplus to the general operational fund of the court." The unclaimed amount at December 31, 2002 was \$95,731 and was recorded in the general fund as revenue.



Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

#### **Governmental Activities**

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a 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 (Expense)/Revenue. It is also identifies how much each function draws from the general revenues or it is self-financing through fees. Some of the individual line item revenues reported for each function are:

|                                     |  |
|-------------------------------------|--|
| Administration (general government) | Fees earned through Violation Tickets paid   |
| Judicial                            | Fees earned through Violation Tickets paid but restricted to not pay Judge's salary/retirement |
| Judicial Building                   | Fees collected for current rent, maintenance and future building for City Court                |

#### **THE CITY COURT'S FUNDS**

With the implementation of new accounting standards, and analysis of current- and prior-year governmental fund (in particular the general fund) balance sheets is difficult to do. In subsequent years, this section will discuss and analyze significant differences. However, some individual funds were not affected by these new accounting standards and a review of those funds are as follows.

|                                 |                   |
|---------------------------------|-------------------|
| Beginning fund balance          | \$ 361,021        |
| Accrued payables not expensed   | <u>(34,150)</u>   |
| Adjusted beginning fund balance | <u>\$ 326,871</u> |

#### **SIGNIFICANT BUDGET VARIANCES**

Lake Charles City Court does not have to create it's own budget as stated in RS 39:1303. It is only required that expenditures totaling two hundred fifty thousand dollars or more in general and special revenue funds are required to create a budget.

#### **CAPITAL ASSETS**

At the end of December 31, 2002, the City Court had \$270,740 in capital assets. City Court does not have infrastructure of assets to report. This represents a net decrease of \$4,007 over last year due to a purchase of a computer.

|   | <u>2002</u>       | <u>2001</u>       |
|---|-------------------|-------------------|
| Furniture and fixtures (i.e., desks, chairs<br>& filing cabinets) | \$ 260,426        | \$ 256,419        |
| Equipment (i.e., computers, copy machines)                        | <u>10,314</u>     | <u>10,314</u>     |
|   | <u>\$ 270,740</u> | <u>\$ 266,733</u> |

Difference (\$4,007) computer purchased

#### **ECONOMIC FACTORS AND NEXT YEAR'S RATES**

In the following year, tickets are projected to increase which will cause more fees to be generated. It is foreseen that this pattern will continue for some time but there is no indication when this pattern will decrease. Also it has been proposed and gone to the legislature that civil suits filed with Lake Charles City Court be raised to the maximum limit of \$25,000. This change will allow more suits to be filed in our court creating more income for our Judicial Building fund.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City Court's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Court Clerk's office at PO Box 1664; Lake Charles, Louisiana.



Rebecca Liles  
City Court Comptroller

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2002

ASSETS

Current assets:

|                      |                |
|----------------------|----------------|
| Cash                 | \$ 278,307     |
| Due from other funds | <u>104,144</u> |
| Total current assets | <u>382,451</u> |

Noncurrent assets:

|                         |               |
|-------------------------|---------------|
| Cash - restricted       | 57,600        |
| Capital assets (net)    | <u>11,686</u> |
| Total noncurrent assets | <u>69,286</u> |

|              |                |
|--------------|----------------|
| Total assets | <u>451,737</u> |
|--------------|----------------|

Liabilities:

|                       |               |
|-----------------------|---------------|
| Accounts payable      | 30,948        |
| Due to other agencies | <u>47,276</u> |
| Total liabilities     | <u>78,224</u> |

Net assets

|   |                |
|---|----------------|
| Invested in capital assets, net of related debt | 11,686         |
| Unrestricted                                    | <u>361,827</u> |

|                  |                   |
|------------------|-------------------|
| Total net assets | <u>\$ 373,513</u> |
|------------------|-------------------|

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2002

|                                       | <u>Functions/Programs</u> |                  |                          |                   |
|---------------------------------------|---------------------------|------------------|--------------------------|-------------------|
|                                       | <u>Administration</u>     | <u>Judicial</u>  | <u>Judicial Building</u> | <u>Total</u>      |
| Expenses:                             |                           |                  |                          |                   |
| Salaries and benefits                 | \$ 17,186                 | \$ 107,028       | \$ -                     | \$ 124,214        |
| Materials and supplies                | 27,311                    | 3,073            | -                        | 30,384            |
| Professional development and training | 18,658                    | 1,439            | -                        | 20,097            |
| Rent                                  | -                         | -                | 90,977                   | 90,977            |
| Other program expense                 | 26,665                    | 11,741           | -                        | 38,406            |
| Depreciation                          | <u>2,792</u>              | <u>1,092</u>     | <u>-</u>                 | <u>3,884</u>      |
| Total expenses                        | 92,612                    | 124,373          | 90,977                   | 307,962           |
| Program revenues:                     |                           |                  |                          |                   |
| Charges for services                  | 70,125                    | 91,588           | -                        | 161,713           |
| Judicial building collections         | <u>-</u>                  | <u>-</u>         | <u>97,795</u>            | <u>97,795</u>     |
| Net program expense (income)          | <u>\$ 22,487</u>          | <u>\$ 32,785</u> | <u>\$ (6,818)</u>        | <u>48,454</u>     |
| General revenues:                     |                           |                  |                          |                   |
| Interest                              |                           |                  |                          | 3,576             |
| Miscellaneous                         |                           |                  |                          | 1,348             |
| Violations income                     |                           |                  |                          | <u>78,689</u>     |
| Total general revenues                |                           |                  |                          | <u>83,613</u>     |
| Change in net assets                  |                           |                  |                          | 35,159            |
| Net assets - beginning                |                           |                  |                          | <u>338,354</u>    |
| Net assets - ending                   |                           |                  |                          | <u>\$ 373,513</u> |

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2002

| ASSETS   | General<br>Fund   | Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------------|--------------------------------|
| Current assets:  |                   |                            |                                |
| Cash   | \$ 61,217         | \$ 217,090                 | \$ 278,307                     |
| Due from other funds   | <u>97,279</u>     | <u>6,865</u>               | <u>104,144</u>                 |
| Total current assets   | 158,496           | 223,955                    | 382,451                        |
| Restricted assets:   |                   |                            |                                |
| Cash   | <u>57,600</u>     | <u>-</u>                   | <u>57,600</u>                  |
| Total assets   | <u>\$ 216,096</u> | <u>\$ 223,955</u>          | <u>\$ 440,051</u>              |
|  |                   |                            |                                |
| LIABILITIES  |                   |                            |                                |
| Current liabilities (payable from<br>current assets):  |                   |                            |                                |
| Accounts payable   | \$ 8,991          | \$ -                       | \$ 8,991                       |
| Due to other agencies  | <u>47,276</u>     | <u>-</u>                   | <u>47,276</u>                  |
| Total current liabilities<br>payable from current assets   | 56,267            | -                          | 56,267                         |
| Current liabilities (payable from<br>restricted assets):   |                   |                            |                                |
| Lease note payable   | <u>21,957</u>     | <u>-</u>                   | <u>21,957</u>                  |
| Total liabilities  | 78,224            | -                          | 78,224                         |
|  |                   |                            |                                |
| FUND BALANCES  |                   |                            |                                |
| Unreserved fund balance  | <u>137,872</u>    | <u>223,955</u>             | 361,827                        |
| Total liabilities and fund<br>balances   | <u>\$ 216,096</u> | <u>\$ 223,955</u>          |                                |
|  |                   |                            |                                |
| Amounts reported for governmental activities<br>in the statement of net assets are<br>different because:   |                   |                            |                                |
| Capital assets used in governmental<br>activities are not financial resources<br>and therefore are not reported in the<br>funds, net of accumulated depreciation<br>of \$259,054 |                   |                            | <u>11,686</u>                  |
| Net assets of government activities  |                   |                            | <u>\$ 373,513</u>              |

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2002

|  | General<br>Fund   | Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------------|--------------------------------|
| Revenues:  |                   |                            |                                |
| Charges for services                                 | \$ 70,125         | \$ 91,588                  | \$ 161,713                     |
| Court costs and fines                                | 78,689            | -                          | 78,689                         |
| Interest income                                      | 1,730             | 1,846                      | 3,576                          |
| Miscellaneous  | 1,348             | -                          | 1,348                          |
| Judicial building collections                        | 97,795            | -                          | 97,795                         |
| Total revenues                                       | <u>249,687</u>    | <u>93,434</u>              | <u>343,121</u>                 |
| Expenditures:  |                   |                            |                                |
| Current:   |                   |                            |                                |
| Accounting and legal                                 | 8,825             | 2,277                      | 11,102                         |
| Bank service charges                                 | 168               | 2,146                      | 2,314                          |
| Dues and subscriptions                               | 4,143             | 1,962                      | 6,105                          |
| Equipment lease                                      | 3,433             | -                          | 3,433                          |
| Intergovernmental transfer                           | -                 | 3,695                      | 3,695                          |
| Maintenance  | 2,198             | -                          | 2,198                          |
| Miscellaneous  | 6,578             | 2,748                      | 9,326                          |
| Office expense                                       | 23,168            | 1,112                      | 24,280                         |
| Professional development and training                | 18,658            | 1,439                      | 20,097                         |
| Rent   | 90,977            | -                          | 90,977                         |
| Retirement   | 12,786            | -                          | 12,786                         |
| Salaries   | 17,186            | 94,242                     | 111,428                        |
| Taxes - payroll                                      | 1,326             | -                          | 1,326                          |
| Telephone  | 4,016             | 875                        | 4,891                          |
| Capital outlay                                       | 2,859             | 1,348                      | 4,207                          |
| Total expenditures                                   | <u>196,321</u>    | <u>111,844</u>             | <u>308,166</u>                 |
| Excess (deficiency) of revenues<br>over expenditures | 53,366            | (18,410)                   | 34,956                         |
| Fund balances - beginning                            | <u>84,506</u>     | <u>242,365</u>             | <u>326,871</u>                 |
| Fund balances - ending                               | <u>\$ 137,872</u> | <u>\$ 223,955</u>          | <u>\$ 361,827</u>              |

(continued on next page)

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2002

Reconciliation of the change in fund balances -  
total governmental funds to the change in  
net assets of governmental activities:

|   |           |
|---|-----------|
| Net change in fund balances - total<br>governmental funds | \$ 34,956 |
|---|-----------|

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

Governmental funds report capital outlays  
while governmental activities report  
report depreciation expense to allocate  
those expenditures over the life of the  
assets:

|                                     |              |
|-------------------------------------|--------------|
| Capital asset purchases capitalized | 4,207        |
| Depreciation expense                | (3,884)      |
| Loss on disposal of asset           | <u>(120)</u> |

|   |                  |
|---|------------------|
| Change in net assets of governmental activities | <u>\$ 35,159</u> |
|---|------------------|

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
December 31, 2002

| ASSETS                                       | Agency<br>Funds   |
|--|-------------------|
| Cash   | \$ 363,967        |
| Receivables for civil cases                  | <u>78,401</u>     |
| Total assets                                 | <u>\$ 442,368</u> |
| LIABILITIES                                  |                   |
| Accounts payable                             | \$ 4,742          |
| Deposits held for disposition of civil cases | 333,482           |
| Due to other funds                           | <u>104,144</u>    |
| Total liabilities                            | <u>\$ 442,368</u> |

The accompanying notes are an integral part of these statements.



CITY COURT OF  
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

1. Summary of Significant Accounting Policies

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City).

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City Court applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City Court does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

B. Change in Accounting Principles

The City Court adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended December 31, 2002. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

C. Basis of Presentation - Fund Accounting

The accounts of the City Court are organized on a fund basis. A fund is defined as a separate fiscal and accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The City Court's funds are grouped into one broad fund category and two generic fund types for financial statement presentation purposes. Governmental funds include the general and special revenue funds. The City Court also has one fiduciary agency fund.

D. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore,

governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services; (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Net assets should be restricted when constraints placed on net asset use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from general and special revenue funds and the restrictions on their net asset use.

Several factors contributed to a change in beginning fund balance for governmental activities in the Statement of Activities. Each of these changes is discussed individually in the following notes. The total change is calculated as follows:

|                            | <u>Governmental<br/>Activities</u> |
|----------------------------|------------------------------------|
| Beginning fund balance     | \$ 361,021                         |
| Accrued payables           | (34,150)                           |
| Capital assets             | 266,733                            |
| Accumulated depreciation   | <u>(255,250)</u>                   |
| Adjusted beginning balance | <u>\$ 338,354</u>                  |

#### FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City Court. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

## GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The funds presented in the financial statements are described as follows:

General Fund - The General Fund is the general operating fund of the City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

## FIDUCIARY FUND TYPES

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The funds presented in the financial statements are described as follows:

Agency Fund - The Agency Fund is used to account for assets held by the City Court as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results in operations.

### E. Cash

The City Court's cash is considered to be cash on hand and demand deposits.

### F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 2.

## G. Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

|                                    |                |
|------------------------------------|----------------|
| Buildings                          | 15 to 40 years |
| Improvements, other than buildings | 5 to 40 years  |
| Machinery and equipment            | 3 to 15 years  |
| Furniture and fixtures             | 3 to 10 years  |

## 2. Compliance and Accountability

Budget requirements, accounting and reporting:

The City of Lake Charles approves a budget for the City Court General and Special Revenue Funds. This budget includes all expenditures made by the City of Lake Charles and the General and Special Revenue Funds with no separation between the two governmental agencies. There is no separate budget available for the General and Special Revenue Funds of the City Court.

Deposit laws and regulations:

Judicial Building Fund - In accordance with Louisiana Statute RS 13:1899, the City Court collects a filing fee and placed in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person filing a any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

### 3. Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

The City Court's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the City Court's agent banks in the City Court's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

The table presented below is designed to disclose the level of custody credit risk assumed by the City Court based upon how its demand deposits were insured or secured with collateral at December 31, 2002. The categories of risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City Court (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging institution's trust department or agent in the City Court's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City Court's name; or collateralized with no written or approved collateral agreement

Cash balances at December 31, 2002 were as follows:

|  | <u>Carrying<br/>Amount</u> | <u>Bank<br/>Balance</u> |
|--|----------------------------|-------------------------|
| Demand deposits-interest bearing<br>(category 1) | \$ 403,174                 | \$ 404,062              |
| Demand deposits-interest bearing<br>(category 2) | 293,401                    | 300,608                 |
| Cash on hand<br>(category 3)                     | <u>3,300</u>               | <u>-</u>                |
| Total cash and cash equivalents                  | <u>\$ 699,875</u>          | <u>\$ 704,670</u>       |



4. Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2002, are as follows:

|                        |                  |
|------------------------|------------------|
| Cash Deposits          |                  |
| Judicial building fund | \$ 26,555        |
| Judicial expense fund  | <u>31,045</u>    |
| Total restricted cash  | <u>\$ 57,600</u> |

5. Capital Assets

Capital asset activity for the year ending December 31, 2002, was as follows:

|  | Balance<br>1/1/02 | Additions     | Deletions       | Balance<br>12/31/02 |
|--|-------------------|---------------|-----------------|---------------------|
| Governmental activities:                       |                   |               |                 |                     |
| Equipment                                      | \$ 256,419        | \$ 4,207      | \$ (200)        | \$ 260,426          |
| Furniture and fixtures                         | <u>10,314</u>     | <u>-</u>      | <u>-</u>        | <u>10,314</u>       |
| Totals at historical cost                      | <u>266,733</u>    | <u>4,207</u>  | <u>(200)</u>    | <u>270,740</u>      |
| Less accumulated depreciation:                 |                   |               |                 |                     |
| Equipment                                      | 244,936           | 3,884         | 80              | 248,740             |
| Furniture and fixtures                         | <u>10,314</u>     | <u>-</u>      | <u>-</u>        | <u>10,314</u>       |
| Total accumulated depreciation                 | <u>255,250</u>    | <u>3,884</u>  | <u>80</u>       | <u>259,054</u>      |
| Governmental activities<br>capital assets, net | <u>\$ 11,483</u>  | <u>\$ 323</u> | <u>\$ (120)</u> | <u>\$ 11,686</u>    |

6. Retirement Benefits

Louisiana State Employee' Retirement System (LASERS):

Plan description:

The City Court Judges participate in the LASERS, a cost sharing municipal employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana's State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225)922-0600.

Funding policy:

The City Court Judges are required by Louisiana State Statute to contribute 11.5% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The current employer rate is 14.1% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, 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 year fiscal year. The City Court's contributions to LASERS for the year ended December 31, 2001 was \$12,786 and was equal to the required contribution for the year.

7. Operating Leases

Operating lease - building:

The City Court of Lake Charles and the Housing Authority of the City of Lake Charles had a lease agreement for the year ended December 31, 2002. The City Court leased 13,181 square feet of the property located at 800 Bilbo Street, Lake Charles, Louisiana from the Housing Authority. A sum of \$5,272.40 assessed as monthly rent and 70% of the utilities required for the operation of the building was paid quarterly by the City Court. Total payments for the year ended December 31, 2002 was \$90,977, of which \$21,957 was payable at year end.

Operating lease - copier:

During the year, City Court of Lake Charles leased copiers with LA Office Systems and Best Copier Services. Monthly payments for the year ended December 31, 2002 totaled \$3,433.

8. Louisiana Revised Statutes Concerning Mandated Fees

Louisiana Revised Statutes mandate fees to be assessed to each claim filed through the City Court Civil Section. The Judges are legally entitled to a portion of these fees. Louisiana Revised Statute 13:1874.1 limits the amount of salary legally of a City Court Judge to that not exceeding a District Court Judge of the Judicial District in which the City Court is located. Because the fees assessed amount to greater than the judges' salary expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.



9. Louisiana Revised Statute Concerning Forfeited Deposits

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, Louisiana

We have audited the general purpose financial statements of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated March 7, 2003. 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.

### Compliance

As part of obtaining reasonable assurance about whether the City Court's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2002-01, 2002-02, 2002-03 and 2002-04.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-05, 2002-06, 2002-07 and 2002-08.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable conditions reported above to be a material weakness.

This report is intended solely for the information and use of the City Court Judges, management, and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Mc Elroy, Quirk & Burch*

Lake Charles, Louisiana

March 7, 2003

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2002, and have issued our report thereon dated March 7, 2003. 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. Our audit of the financial statements as of December 31, 2002 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses ☒ Yes ☐ No

Other conditions ☐ Yes ☒ No

Compliance

Compliance material to financial statements ☒ Yes ☐ No

(continued on next page)

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Section II - Financial Statement Findings

Compliance Findings:

**2002-01**

Specific requirement: LA Revised Statute 13:1910 establishes a service charge which is imposed to fund the acquisition, leasing, constructing, equipping and maintenance of new and existing city courts. All monies collected are to be placed in a separate account.

Condition: No separate account has been established as of December 31, 2002.

Effect: Compliance with LA Revised Statute 13:1910 will not have been accomplished.

Recommendation: We recommend that a separate bank account be opened for the exclusive purpose of depositing all monies collected and paying of related expenditures established by LA Revised Statute 13:1910.

Management's response: The Judicial Building Fund bank account was opened subsequent to December 31, 2002.

**2002-02**

Specific requirement: LA Revised Statute 13:1899 establishes a filing fee to be collected for the purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. All sums collected or received are to be placed in a separate account designated as the Judicial Expense Fund.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Condition: The account is established, however, other monies received are all deposited into this bank account.

Effect: Compliance with LA Revised Statute 13:1899 will not have been accomplished.

Recommendation: We recommend that only the fees collected under LA Revised Statute 13:1899 be deposited into the bank account designated Judicial Expense Fund.

Management response: Management agrees with the recommendation. A separate bank account will be utilized for all other collections.

**2002-03**

Specific requirement: LA Revised Statute 13:1899 establishes the Judicial Expense Fund to fund proper administration or function of the City Court. The fund is prohibited from paying salaries to any of the judges.

Condition: Retirement benefits for the judges were paid from the Judicial Expense Fund bank account. This account had all funds received by the City Court designated for the General Fund and instead of transferring the retirement benefit amounts to the General Fund the benefit amounts were paid from the Judicial Expense Fund bank account.

Effect: Compliance with LA Revised Statute 13:1899 will not have been accomplished. The purpose of the statute is to provide funds for the proper administration or function of the City Court and is not intended to compensate the city court judges.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Recommendation: We recommend that all sums received not designated for the Judicial Expense Fund be deposited into a different bank account. Expenditures, such as retirement benefits, should be paid from this separate account.

Management's response: Management agrees with the recommendation. A separate bank account will be utilized for all other transactions.

**2002-04**

Specific requirement: LA Revised Statute 40:2266.1 establishes a fee to be assessed in criminal cases prosecuted under state statutes, parish ordinances or city ordinances. The sums collected shall be remitted to the respective criminalistics laboratory commission.

Condition: During our audit, analytical procedures used to test the collection of crime lab fees found a limited number of instances where the fees were not collected. No payment of the fees for the instances found was made to the criminalistics laboratory commission, since the amount was not collected.

Effect: Compliance with LA Revised Statute 40:2266 will not have been accomplished.

Recommendation: We recommend that a reconciliation of fees collected be performed on a monthly basis.

Management's response: The matter was resolved during the audit year and a monthly reconciliation procedure has been implemented.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Internal Control Findings:

**2002-05**

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

**2002-06**

Criteria: Reconciliations of the civil cases pending disposition subledger were not performed for the Civil Fund during the year ended December 31, 2002.



CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Condition: Subledger reconciliations should be prepared on a timely basis to ensure that the financial records are accurate and fairly stated.

Effect: Errors or other problems may not be recognized and resolved on a timely basis.

Recommendation: We recommend that procedures be implemented requiring all subledger accounts be reconciled on a monthly basis and reviewed by appropriate city court personnel.

Response: Management agrees with the recommendation. Procedures will be implemented and reconciliation will be performed monthly.

**2002-07**

Criteria: Approval and cancellation of invoices are needed for effective internal control.

Condition: The signing of a check by a judge was the approval process used by the City Court. Some invoices selected for expense testing had no documentation of approval prior to payment. Also, a few invoices were not marked cancelled after the invoices were paid.

Effect: Without approval prior to payment, cash disbursements are susceptible to fraud. Invoices that are paid and not marked cancelled can result in double payment and errors can occur within the financial records.

Recommendation: As an enhancement, we recommend that management document the approval prior to payment of an invoice. After the payment is made, the invoice should be cancelled (i.e., "paid" rubber stamp could be obtained) so possible errors will not occur.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2002  
(Continued)

Response: Management agrees with our recommendation. The policies and procedures regarding payments will be strengthened and stressed to all employees involved with the payment of invoices.

2002-08

Criteria: Effective procedures for accounts payable and cash distribution are required for effective internal control.

Condition: During our audit, the City Court was unable to provide the original invoices for a limited number of items selected for expense testing.

Effect: A lack of approved supporting documentation can cause errors or fraud to go undetected.

Recommendation: We recommend that management address cash disbursement procedures, accounts payable procedures and internal controls in its development of an improved system of fiscal management.

Response: Cash disbursement procedures will be addressed. Improved procedures and internal control will be implemented for the year ending December 31, 2003.

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Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, Louisiana

In planning and performing our audit of the basic financial statements of the City Court of Lake Charles, Louisiana as of December 31, 2002, and for the year then ended, we considered the City Court's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

In that connection, we present the following comments and suggestions for your consideration. This letter does not affect our report dated March 7, 2003 on the basic financial statements of the City Court of Lake Charles, Louisiana.

**Fixed Asset Accountability** - Over the years the City Court has acquired a number of fixed assets, however, there is no specific detailed listing of individual assets. It is recommended that a complete inventory of all City Court owned property and equipment be conducted to specifically identify all fixed assets of the City Court. This procedure would require an inventory process, as well as tagging and identifying fixed asset by type and location. Management would need to adopt a capitalization policy to determine what dollar level of assets are to be accounted for. This procedure would be important for two reasons: first for insurance purposes to insure that in the event of a loss, assets can be specifically identified and second to improve controls over accountability of all City Court owned assets. Additionally, once the inventory process is complete, it is recommended that a procedure be implemented to tag and identify new fixed assets as they are acquired to insure that the inventory process will not have to be repeated.

**Management response** - The City Court has begun to identify and tag all assets owned. The City Court will continue to take the necessary steps to complete fixed asset listing.

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court  
Page 2

**Accounting Manual** - We noted that the City Court does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

**Management Response** - We concur with the recommendation. Documentation of daily procedures has begun. The process of drafting the accounting procedure manual has also begun, however, the manual will take some time to complete.

This report is intended solely for the use of management and should not be used for any other purpose. We are available to discuss any questions you may have concerning the above items.

*Mr. Elroy, Quirk & Burch*

Lake Charles, Louisiana  
March 7, 2003