

**City of Shreveport City Court  
Shreveport, Louisiana**

**Financial Statements With Auditors' Report**

**As of and For the Year Ended December 31, 2013**

City of Shreveport City Court  
Shreveport, Louisiana

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## Independent Auditors' Report

City of Shreveport City Court  
Shreveport, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court, a component unit of the City of Shreveport, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Shreveport City Court's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

### ***Opinions***

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 City of Shreveport City Court as of December 31, 2013, 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 and 3 - 7 and on pages 21 – 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, on our consideration of City of Shreveport City Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 City of Shreveport City Court's internal control over financial reporting and compliance.



Cook & Morehart  
Certified Public Accountants  
June 11, 2014

## **CITY OF SHREVEPORT CITY COURT**

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

Our discussion and analysis of City of Shreveport City Court's financial performance provides an overview of the City Court's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the City's financial statements, which begin on page 8.

#### **FINANCIAL HIGHLIGHTS**

The City Court's net position increased by \$118,094 or 2%.

The City Court's total program revenues were \$813,037 in 2013 compared to \$873,972 in 2012.

During the year ended December 31, 2013, the City Court had total expenses, excluding depreciation, of \$632,186, compared to \$584,417 in 2012.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the City Court as a whole. Fund financial statements start on page 10. 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 a trustee or agent for the benefit of those outside of the City Court. The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, and related utility costs, as well as substantially all funding of salary and related employee benefit costs. Because the City Court is fiscally dependent on the City of Shreveport, the City Court was determined to be a component unit of the City of Shreveport. The accompanying financial statements present information only on the funds maintained by the City Court.

#### **Reporting the Funds Maintained by the City Court as a Whole**

##### **The Statement of Net Position and the Statement of Activities**

Our analysis of the funds maintained by the City Court as a whole begins on page 8. One of the most important questions asked about the City Court's finances is "Is the City Court as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by 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. Accrual 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 position* and changes in them. You can think of the City Court's net position – the difference between assets and liabilities – as one way to measure the City Court's financial health, or *financial position*. Over time, *increases* or *decreases* in the City Court's net position are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we record the funds maintained by the City Court as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the City Court are reported here which consists primarily of certain materials and supplies, travel, repairs and maintenance and other program services. These represent expenses not paid out of the City of Shreveport's budget for judicial expenses. Fines, fees for services and interest income finance most of these activities.

### **Reporting the Most Significant Funds Maintained by the City Court**

Our analysis of the major funds maintained by the City Court begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the most significant funds maintained by the City Court – not the City Court as a whole. However, the City Court establishes other funds to help it control and manage money for particular purposes (like the probation fund) to show that it is meeting legal responsibilities for using certain fees. The City Court's *governmental funds* use the following accounting approaches.

Governmental funds – All of the City Court's expenses are reported in governmental funds, which focus 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 accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City Court's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City Court expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

### **The City Court as Trustee**

The City Court is the trustee, or *fiduciary*, for its civil division, traffic violation bureau, and a portion of the small claims fund. All of the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. 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 FUNDS MAINTAINED BY THE CITY COURT AS A WHOLE**

The City Court's total net position changed from a year ago, increasing from \$5,896,500 to \$6,014,594. Our analysis below will focus on key elements of the total governmental funds for the 2013 and 2012 years.

**Table 1  
Net Position**

	Governmental Activities 2013	Governmental Activities 2012
Current assets	\$ 5,793,435	\$ 5,677,138
Capital assets	233,249	244,473
Total assets	<u>6,026,684</u>	<u>5,921,611</u>
Current liabilities	<u>12,090</u>	<u>25,111</u>
Net Position		
Investment in capital assets	233,249	244,473
Restricted	1,788,152	1,981,106
Unrestricted	<u>3,993,193</u>	<u>3,670,921</u>
Total net position	<u>\$ 6,014,594</u>	<u>\$ 5,896,500</u>

Net position of the funds maintained by the City Court's governmental activities increased by \$118,094 or 2%. Unrestricted net position, the part of net position that can be used to finance City Court expenses without constraints or other legal requirements increased by \$322,272 from \$3,670,921 at December 31, 2012 to \$3,993,193 at December 31, 2013.

**Table 2  
Change in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
Revenues		
Programs Revenues:		
Charges for Service, Fines and Fees	\$ 813,037	\$ 873,972
Miscellaneous Income	11,849	14,924
Interest income	<u>10,861</u>	<u>10,385</u>
Total revenues	835,747	899,281
Expenses		
General governmental - judicial	<u>717,653</u>	<u>662,587</u>
Increase in net position	118,094	236,694
Net position - beginning of year	<u>5,896,500</u>	<u>5,659,806</u>
Net position - end of year	<u>\$ 6,014,594</u>	<u>\$ 5,896,500</u>

For the funds maintained by the City Court, total revenues decreased \$63,534, or 7%, from total revenues in 2012 of \$899,281 to total revenues of \$835,747 in 2013. For the funds maintained by the City Court, program revenues decreased \$60,935, or 7%, from program revenue in 2012 of \$873,972 to program revenue of \$813,037 in 2013. The main reason for the decrease in a reduction in fees received from bond revenue.

For the funds maintained by the City Court, total expenses increased \$55,066, or 8%, from total expenses in 2012 of \$662,587 to total expenses of \$717,653 in 2013. The primary reason for the increase is an increase in capital outlay purchases.

## **FUNDS MAINTAINED BY THE CITY COURT**

For the funds maintained by the City Court, the governmental funds (as presented on pages 10–11) reported a combined fund balance of \$5,776,281 which is an increase of \$128,364 from last year.

### **Budgetary Highlights**

The City Court adopted a budget for its General Fund and special revenue funds for the year ended December 31, 2013. There were three amendments to the budget during the year. The City Court's budgetary comparison is presented as required supplementary information and shown on pages 22 through 24. Highlights for the General Fund for the year are as follows:

- Revenues were lower than budgeted amounts due to less collections of fees and fines than anticipated.
- Expenses were lower than budgeted amounts due mainly to building maintenance costs being under budget.

## CAPITAL ASSETS

At the end of 2013, the City Court had invested \$233,249 in capital assets from those funds maintained by the City Court. (see table 3 below)

**Table 3**  
**Capital Assets At Year End**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Computer equipment	\$ 112,940	\$ 74,070
Office equipment	4,665	23,062
Office furniture and improvements	104,832	136,529
Vehicles	10,812	10,812
Total	<u>\$233,249</u>	<u>\$244,473</u>
This year's major additions included:		
Computer equipment	\$ 64,387	\$ 42,266
Office equipment	9,856	15,473
Total	<u>\$ 74,243</u>	<u>\$ 57,739</u>

More detail information about the capital assets are presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City Court's elected judges and appointed officials considered many factors when setting a fiscal year 2014 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same as the revenues available in 2013.

It is anticipated that the governmental funds' fund balance will increase modestly by the close of 2014. For those funds maintained by the City Court, the City Court will use those revenues for program costs which are not budgeted by the City of Shreveport for the City Court. The City Court has added no major new programs or initiatives to be funded in 2014.

## CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City Court and to show the City Court's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Shreveport City Court, Clerk of Court, Judicial Administrators' office at 1244 Texas Avenue, Shreveport, Louisiana 71101.

City of Shreveport City Court  
 Shreveport, Louisiana  
 Statement of Net Position  
 December 31, 2013

	Governmental Activities
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 5,753,231
Accounts receivable	35,140
Prepaid expenses	5,064
<b>Total current assets</b>	<b>5,793,435</b>
Capital assets (net)	233,249
<b>Total assets</b>	<b>6,026,684</b>
 <b>LIABILITIES</b>	
Accounts payable	12,090
<b>Total current liabilities</b>	<b>12,090</b>
 <b>NET POSITION</b>	
Investment in capital assets	233,249
Restricted for:	
Probation	1,774,658
Pro Bono	13,494
Unrestricted	3,993,193
<b>Total net position</b>	<b>\$ 6,014,594</b>

See accompanying notes to the basic financial statements.

City of Shreveport City Court  
 Shreveport, Louisiana  
 Statement of Activities  
 For the Year Ended December 31, 2013

	Functions / Programs			
	Total	Judicial	Probation	Pro Bono
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Expenses:</b>				
Materials and supplies	\$ 54,122	\$ 38,992	\$ 15,130	\$
Travel	67,247	66,065	1,162	
Depreciation	85,467	80,442	5,025	
Other program services	510,817	153,635	357,182	
<b>Total expenses</b>	<b>717,653</b>	<b>339,134</b>	<b>378,519</b>	
<b>Program revenues:</b>				
Charges for services - fines and fees	813,037	636,834	174,979	1,224
<b>Net program revenue (expenses)</b>	<b>95,384</b>	<b>297,700</b>	<b>(203,540)</b>	<b>1,224</b>
<b>General revenues:</b>				
Interest income	10,861			
Miscellaneous	11,849			
<b>Total general revenues</b>	<b>22,710</b>			
<b>Change in net position</b>	<b>118,094</b>			
<b>Net position - beginning</b>	<b>5,896,500</b>			
<b>Net position - ending</b>	<b>\$ 6,014,594</b>			

See accompanying notes to the basic financial statements.

City of Shreveport City Court  
 Shreveport, Louisiana  
 Balance Sheet  
 Governmental Funds  
 December 31, 2013

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Other Governmental - Probation	Other Governmental - Pro Bono	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,973,862	\$ 1,765,875	\$ 13,494	\$ 5,753,231
Accounts receivable	24,992	10,148		35,140
<b>Total assets</b>	<b>\$ 3,998,854</b>	<b>\$ 1,776,023</b>	<b>\$ 13,494</b>	<b>\$ 5,788,371</b>
<b>Liabilities</b>				
Accounts payable	\$ 9,320	\$ 2,770	\$	\$ 12,090
<b>Total liabilities</b>	<b>9,320</b>	<b>2,770</b>		<b>12,090</b>
<b>Fund balances</b>				
Restricted				
Probation		1,773,253		1,773,253
Pro Bono			13,494	13,494
Unassigned	3,989,534			3,989,534
<b>Total fund balances</b>	<b>3,989,534</b>	<b>1,773,253</b>	<b>13,494</b>	<b>5,776,281</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,998,854</b>	<b>\$ 1,776,023</b>	<b>\$ 13,494</b>	

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

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

5,064

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

233,249

Net position of governmental activities

\$ 6,014,594

See accompanying notes to the basic financial statements.

City of Shreveport City Court  
Shreveport, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2013

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Other Governmental - Probation	Other Governmental - Pro Bono	
<b>Revenues:</b>				
Charges for services - fees and fines	\$ 636,834	\$ 174,979	\$ 1,224	\$ 813,037
Interest income	8,125	2,717	19	10,861
Miscellaneous income	11,653	196		11,849
Total revenues	<u>656,612</u>	<u>177,892</u>	<u>1,243</u>	<u>835,747</u>
<b>Expenditures:</b>				
Current:				
General government:				
Operating services	153,635	357,182		510,817
Materials and supplies	39,946	15,130		55,076
Travel and other charges	66,065	1,182		67,247
Capital outlay	74,243			74,243
Total expenditures	<u>333,889</u>	<u>373,494</u>		<u>707,383</u>
Excess of revenues over (under) expenditures	322,723	(195,602)	1,243	128,364
Fund balances at beginning of year	<u>3,666,811</u>	<u>1,968,855</u>	<u>12,251</u>	<u>5,647,917</u>
Fund balances at end of year	<u>\$ 3,989,534</u>	<u>\$ 1,773,253</u>	<u>\$ 13,494</u>	<u>\$ 5,776,281</u>

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

Net change in fund balances - total governmental funds \$ 128,364

The nonallocation method of accounting for prepayments is used in the  
fund statements, since the prepayment does not provide expendable  
financial resources. 954

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 and reported as depreciation expense. This is the  
amount by which depreciation expense (\$85,467) exceeded capital outlays  
(\$74,243) in the current period. (11,224)

Change in net position of governmental activities \$ 118,094

See accompanying notes to the basic financial statements.

City of Shreveport City Court  
Shreveport, Louisiana  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2013

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 2,595,960</u>
<b>Total assets</b>	<u><u>\$ 2,595,960</u></u>
<b>Liabilities</b>	
Unsettled deposits due to others	<u>\$ 2,595,960</u>
<b>Total liabilities</b>	<u><u>\$ 2,595,960</u></u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013

## INTRODUCTION

The City of Shreveport City Court represents the court system for the City of Shreveport. It is governed by the four independently elected judges from the four divisions of the City of Shreveport. The City Court maintains certain funds comprised of fines and fees collected which are authorized by various state statutes.

### (1) Summary of Significant Accounting Policies

The City of Shreveport City Court's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the City Court are discussed below.

#### A. Reporting Entity

The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. Because the City Court is fiscally dependent on the city, the City Court was determined to be a component unit of the City of Shreveport, the financial reporting entity.

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

#### B. Basic Financial Statements – Government-Wide Statements

The City Court's basic financial statements include both government-wide (reporting the funds maintained by the City Court as a whole) and fund financial statements (reporting the City Court's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City Court's cost account, criminal account, probation account, and pro bono account are classified as governmental activities. The City Court does not have any business-type activities. The government-wide statements include all funds of the City Court except for fiduciary funds.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The City Court's net position is reported in three parts – investment in capital assets, restricted, and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the City Court's functions. The functions are also supported by general government revenues (interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. Program revenues included in the Statement of Activities are derived directly from Court users as a fee

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013  
(Continued)

for services. The net costs (by function) are normally covered by general revenue (interest and miscellaneous income and miscellaneous revenues). This government-wide focus is more on the sustainability of the City Court as an entity and the change in the City Court's net assets resulting from the current year's activities.

**C. Basic Financial Statements – Fund Financial Statements**

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

The following fund types are used by the City Court:

1. **Governmental Funds** – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City Court:
  - a. General funds are the general operating funds of the City Court. They are used to account for all financial resources except those required to be accounted for in another fund. Included in the City Court's general funds are the Cost Account and Criminal fund.
  - b. The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds of the City Court are the Probation fund and Pro Bono fund.
2. **Fiduciary funds** – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City Court programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City Court's general funds (cost and criminal funds) and the Probation fund are reported as major funds in the fund financial statements. The probation fund is used to account for funds collected from defendant's to defray the costs of operation of the court.

The City Court's fiduciary funds are presented in the fiduciary fund financial statements by type. The only fiduciary funds of the City Court are agency funds, consisting of the Civil Division fund, Traffic Violations Bureau fund, and the Small Claims fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013  
(Continued)

**D. Basis of Accounting**

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

**1. Accrual:**

The governmental funds in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the City Court consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

**2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Depreciation is not recognized in the governmental fund financial statements.

**E. Cash, Cash Equivalents, and Investments**

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less when purchased. Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

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

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013  
(Continued)

**F. Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	5 years
Office equipment	5–15 years
Office furniture and improvements	7–20 years

**G. Net Position**

Government-wide net position is divided into three components: Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by the Court's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (less related liabilities and deferred inflows of resources). All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Court's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**H. Fund Balance**

In the governmental fund financial statements, fund balances are classified as follows:

1. **Nonspendable** - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. **Restricted** – amounts that can be spent only for specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. **Committed** - amounts that can be used only for the specific purposes as a result of constraints imposed by the City Court judges (the City Court's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the judges remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. **Assigned** - amounts that are constrained by the Court's intent to be used for specific purposes, but are neither restricted nor committed.
5. **Unassigned** - all amounts not included in other spendable classifications

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013  
(Continued)

The Court's policy is to apply expenditures against restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

1. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) New Accounting Standards

Effective January 1, 2013, the City Court implemented the following GASB statement: GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(3) Budgets

The City Court uses the following budget practices:

1. The Judicial Administrator prepares an operating budget for the general funds and each special revenue fund.
2. The budget is available for public inspection prior to adoption.
3. The budget is adopted by the four independently elected judges.
4. The budget may be revised during the year.
5. Appropriations lapse at the end of each fiscal year.

(Continued)

City of Shreveport City Court  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 December 31, 2013  
 (Continued)

(4) Cash and Cash Equivalents

At December 31, 2013, the City Court has cash and cash equivalents (book balances) totaling \$8,349,191 as detailed below.

A. Cash and Cash Equivalents

Petty cash	\$	57
Demand deposits		<u>8,349,134</u>
		<u>\$ 8,349,191</u>

Reconciliation to government-wide Statement of Net Assets:

Cash and cash equivalents	\$	5,753,231
Agency funds (not on government-wide statements)		<u>2,595,960</u>
		<u>\$ 8,349,191</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

B. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City Court does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$7,859,500 of the government's bank balance of \$8,359,500 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the City Court's name	\$	<u>7,859,500</u>
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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 clerk that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

City of Shreveport City Court  
 Shreveport, Louisiana  
 Notes to Financial Statements  
 December 31, 2013  
 (Continued)

(5) Leases

The City Court leases certain equipment under operating leases. Rental costs on those leases for the year ended December 31, 2013, were \$21,665.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending December 31,		
2014	\$	21,399
2015		21,399
2016		10,167
2017		10,167
2018		847
Total minimum future rentals		\$ 63,979

(6) Changes in Agency Fund Balances

A summary of changes in agency funds follows:

	Balance at Jan. 1, 2013	Additions	Reductions	Balance at Dec. 31, 2013
Civil Division	\$ 1,798,241	\$ 1,064,939	\$ (1,019,532)	\$ 1,843,648
Violations Bureau	178,567	2,548,118	(2,526,214)	200,471
Small Claims	533,535	250,656	(232,350)	551,841
	\$ 2,510,343	\$ 3,863,713	\$ (3,778,096)	\$ 2,595,960

(7) Subsequent Events

Subsequent events have been evaluated through June 11, 2014, the date the financial statements were available to be issued.

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2013  
(Continued)

(8) Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance Jan. 1, 2013	Additions	Deletions	Transfers	Balance at Dec. 31, 2013
<b>Governmental Activities:</b>					
<b>Capital asset, not being depreciated:</b>					
Idle assets	\$	\$	\$	\$ 116,024	\$ 116,024
<b>Total capital assets, not being depreciated</b>				<b>116,024</b>	<b>116,024</b>
<b>Capital assets, being depreciated:</b>					
Computer equipment	251,501	64,387		(116,024)	199,864
Office equipment	196,814	9,856			206,670
Office furniture and improvements	597,833				597,833
Vehicles	38,160				38,160
<b>Total capital assets, being depreciated at historical cost</b>	<b>1,084,308</b>	<b>74,243</b>		<b>(116,024)</b>	<b>1,042,527</b>
<b>Less accumulated depreciation</b>					
Computer equipment	(177,431)	(25,517)			(202,948)
Office equipment	(173,752)	(28,253)			(202,005)
Office furniture and improvements	(461,304)	(31,697)			(493,001)
Vehicles	(27,348)				(27,348)
<b>Total accumulated depreciation</b>	<b>(839,835)</b>	<b>(85,467)</b>			<b>(925,302)</b>
<b>Total capital assets, being depreciated, net</b>	<b>244,473</b>	<b>(11,224)</b>		<b>(116,024)</b>	<b>117,225</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 244,473</b>	<b>\$ (11,224)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 233,249</b>

(9) Risk Management

The City of Shreveport purchases commercial insurance to provide workers compensation and general liability and property insurance for the City Court. There were no significant reductions in insurance coverage from the previous year.

(10) Expenditures of the City Court Paid by the City of Shreveport

The City of Shreveport provides office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. No amounts have been recognized in the accompanying financial statements for expenditures paid by the City of Shreveport.

City of Shreveport City Court  
Shreveport, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Charges for services - fees and fines	\$ 744,000	\$ 660,000	\$ 641,877	\$ (18,123)
Interest income	6,900	7,800	8,125	325
Miscellaneous income	14,000	8,000	11,635	3,635
Total revenues	<u>764,900</u>	<u>675,800</u>	<u>661,637</u>	<u>(14,163)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Operating services	325,195	315,557	182,826	132,731
Materials and supplies	40,000	20,000	18,396	1,604
Travel and other charges	70,000	65,000	66,244	(1,244)
Capital outlay		74,000	74,243	(243)
	<u>435,195</u>	<u>474,557</u>	<u>341,709</u>	<u>132,848</u>
Excess of revenues over expenditures	329,705	201,243	319,928	118,685
Fund balances at beginning of year	<u>3,057,845</u>	<u>2,943,299</u>	<u>3,638,753</u>	<u>695,454</u>
Fund balances at end of year	<u>\$ 3,387,550</u>	<u>\$ 3,144,542</u>	<u>\$ 3,958,681</u>	<u>\$ 814,139</u>

City of Shreveport City Court  
Shreveport, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
Probation Fund  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Charges for services - fees and fines	\$ 190,000	\$ 190,000	\$ 179,633	\$ (10,367)
Miscellaneous	20		196	196
Interest income	2,800	2,800	2,717	(83)
Total revenues	<u>192,820</u>	<u>192,800</u>	<u>182,546</u>	<u>(10,254)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Operating services	112,760	369,650	363,282	6,368
Materials and supplies	14,550	10,500	12,360	(1,860)
Travel and other charges	1,300	1,200	1,182	18
Total expenditures	<u>128,610</u>	<u>381,350</u>	<u>376,824</u>	<u>4,526</u>
Excess of revenues over expenditures	64,210	(188,550)	(194,278)	(5,728)
Fund balances at beginning of year	<u>2,032,117</u>	<u>1,946,932</u>	<u>1,960,003</u>	<u>13,071</u>
Fund balances at end of year	<u>\$ 2,096,327</u>	<u>\$ 1,758,382</u>	<u>\$ 1,765,725</u>	<u>\$ 7,343</u>

City of Shreveport City Court  
 Shreveport, Louisiana  
 Notes to Required Supplementary Information  
 December 31, 2013

The City Court's budget is adopted on the cash basis for all funds. There were three amendments to the 2013 budget. Budget comparison statements included in the accompanying financial statements include the original and final amended budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>	<u>Probation Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 319,928	\$ (194,278)
Adjustments:		
Revenue accruals - net	(5,025)	(4,654)
Expenditure accruals - net	<u>7,820</u>	<u>3,330</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 322,723</u>	<u>\$ (195,602)</u>

# COOK & MOREHART

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**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**

**Independent Auditors' Report**

City of Shreveport City Court  
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of 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 City of Shreveport City Court as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Shreveport City Court's basic financial statements, and have issued our report thereon dated June 11, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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. 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 City of Shreveport City Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Corrective Action Plan for Current Year Audit Findings as item 2013-1.

### **City of Shreveport City Court's Response to Finding**

City of Shreveport City Court's response to the finding identified in our audit is described in the accompanying Corrective Action Plan for Current Year Audit Findings. City of Shreveport City Court'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. This 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.



Cook & Morehart  
Certified Public Accountants  
June 11, 2014

City of Shreveport City Court  
Shreveport, Louisiana  
Schedule for Louisiana Legislative Auditor  
December 31, 2013

**Summary Schedule of Prior Audit Findings**

There was one finding in the prior audit for the year ended December 31, 2012, as follows:

**Reference No.:** 2012-1

**Description of Significant  
Deficiency:**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

**Recommendation:**

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

**Current Status:** No finding in current year.

(Continued)

City of Shreveport City Court  
Shreveport, Louisiana  
Schedule For Louisiana Legislative Auditor  
December 31, 2013  
(Continued)

**Corrective Action Plan For Current Year Audit Findings**

There is one finding in the current audit for the year ended December 31, 2013, as follows:

<b>Reference No.:</b>	<b>2013-1</b>
<b>Criteria:</b>	The Local Government Budget Act sets forth the requirements for appropriately adopting and amending budgets.
<b>Condition:</b>	The City Court did not appropriately amend the budget for the Probation fund during the year. Actual revenues failed to meet budgeted revenues by more than 5% for the 2013 year.
<b>Effect:</b>	The City Court was not in compliance with the Local Government Budget Act.
<b>Recommendation:</b>	We recommend that the City Court appropriately amend its budgets, as needed, to comply with the Local Government Budget Act.
<b>Corrective Action Planned:</b>	Factors involving court heavy caseload, operations, and security prevented reduction in the court's budget. The court's budget was presented to and approved by the City Council. Every effort will be made to comply with future city budgetary directions.
<b>Name of Contact Person:</b>	Robert Shemwell, Clerk of Court
<b>Anticipated Completion Date:</b>	September 30, 2014