

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

Financial Statements With Auditors' Report

As of and For the Year Ended December 31, 2002

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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 JUL 30 2003

City of Shreveport City Court
Shreveport, Louisiana

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Independent Auditors' Report

City of Shreveport City Court
Shreveport, Louisiana

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Shreveport City Court 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.

City of Shreveport City Court has not presented budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2003, on our consideration of the City of Shreveport City Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral 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.



Cook & Morehart
Certified Public Accountants
March 5, 2003



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2002. Please read it in conjunction with the City's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The City Court's net assets increased by \$211,155 or 7.7%.

The City Court's total program revenues were \$503,404 in 2002 compared to \$613,927 in 2001.

During the year ended December 31, 2002, the City Court had total expenses, excluding depreciation, of \$282,780, compared to \$485,383 in 2001.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the City Court as a whole. Fund financial statements start on page 9. 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 Assets and the Statement of Activities

Our analysis of the funds maintained by the City Court as a whole begins on page 7. 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 Assets 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 assets* and changes in them. You can think of the City Court's net assets – 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 assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets 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 9. The fund financial statements begin on page 9 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 Assets 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 11. 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 assets changed from a year ago, increasing from \$2,741,694 to \$2,952,849. In comparison, last year net assets decreased \$41,915. Our analysis below will focus on key elements of the total governmental funds for the 2002 and 2001 years.

**Table 1
Net Assets**

	Governmental Activities 2002	Governmental Activities 2001
Current assets	\$ 2,567,890	\$ 2,300,827
Capital assets	462,049	452,249
Total assets	<u>3,029,939</u>	<u>2,753,076</u>
Current liabilities	<u>77,090</u>	<u>11,382</u>
Net assets:		
Investments in capital assets	462,049	452,249
Unrestricted	<u>2,490,800</u>	<u>2,289,445</u>
Total net assets	<u>\$ 2,952,849</u>	<u>\$ 2,741,694</u>

Net assets of the funds maintained by the City Court's governmental activities increased by \$211,155 or 7.7%. Unrestricted net assets, the part of net assets that can be used to finance City Court expenses without constraints or other legal requirements increased by \$201,355 from \$2,289,445 at December 31, 2001 to \$2,490,800 at December 31, 2002.

**Table 2
Change in Net Assets**

	Governmental Activities 2002	Governmental Activities 2001
Revenues		
Program Revenues		
Charges for services, fines and fees	\$ 503,404	\$ 613,927
Interest income	<u>51,286</u>	<u>89,303</u>
Total revenues	554,690	703,230
Expenses		
General governmental – judicial	<u>343,535</u>	<u>544,990</u>
Increases in net assets	<u>\$ 211,155</u>	<u>\$ 158,240</u>

For the funds maintained by the City Court, total revenues decreased \$148,540 (23%) from total revenues in 2001 of \$703,230 to total revenues of \$554,690 in 2002. For the funds maintained by the City Court, program revenues decreased \$110,523 (18%) from program revenue in 2001 of \$613,927 to program revenue of \$503,404 in 2002.

FUNDS MAINTAINED BY THE CITY COURT

For the funds maintained by the City Court, the governmental funds (as presented on pages 9-10) reported a combined fund balance of \$2,490,800 which is an increase of \$201,355 from last year.

Budgetary Highlights

For the funds maintained by the City court, formal budgets in accordance with state law were not adopted. Informal in-house budgets were maintained.

CAPITAL ASSETS

At the end of 2002, the City Court had invested \$673,388 in capital assets from those funds maintained by the City Court. (see table 3 below)

**Table 3
Capital Assets At Year End**

	<u>Governmental Activities 2002</u>	<u>Governmental Activities 2001</u>
Computer equipment	\$ 122,732	\$ 119,969
Office equipment	85,306	85,306
Office furniture and improvements	<u>465,350</u>	<u>397,558</u>
Total	<u>\$ 673,388</u>	<u>\$ 602,833</u>

This year's major additions included:

Filing system	\$ 64,008
Computer	2,763
Flag poles	<u>3,784</u>
Total	<u>\$ 70,555</u>

More detail information about the capital assets are presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

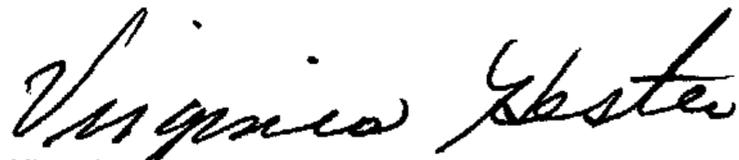
The City Court's elected judges and appointed officials considered many factors when setting a fiscal year 2003 budget. Amounts available for appropriation in the governmental funds are expected to remain the same as the revenues available in 2002 which was approximately \$550,000.

As previously stated, a formal budget process, in accordance with state law, has not been implemented for those funds maintained by the City Court. Informal inhouse budgets are prepared.

It is anticipated that the governmental funds' fund balance will increase modestly by the close of 2003. 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 2003.

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.



Virginia Hester
Clerk of Court
Judicial Administrator

City of Shreveport City Court
 Shreveport, Louisiana
 Statement of Net Assets
 December 31, 2002

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,543,147
Receivables	24,743
Total current assets	2,567,890
Capital assets (net)	462,049
Total assets	3,029,939
 LIABILITIES	
Accounts payable	77,090
Total current liabilities	77,090
 NET ASSETS	
Investment in capital assets	462,049
Unrestricted	2,490,800
Total net assets	\$ 2,952,849

See accompanying notes to the basic financial statements.

City of Shreveport City Court
 Shreveport, Louisiana
 Statement of Activities
 For the Year Ended December 31, 2002

	Functions / Programs				
	Total	Judicial	Small Claims	Probation	Pro Bono
GOVERNMENTAL ACTIVITIES					
Expenses:					
Materials and supplies	\$ 110,893	\$ 108,779	\$	\$ 2,114	\$
Travel	43,029	42,743		286	
Repairs and maintenance	36,603	2,116	34,487		
Depreciation	60,755	60,496		259	
Other program services	92,255	91,764	77	388	26
Total expenses	343,535	305,898	34,564	3,047	26
Program revenues:					
Charges for services - fines and fees	503,404	244,582	133,349	124,700	773
Net program revenue (expenses)	\$ 159,869	\$ (61,316)	\$ 98,785	\$ 121,653	\$ 747
General revenues:					
Interest Income	51,286				
Total general revenues	51,286				
Change in net assets	211,155				
Net assets - beginning, restated	2,741,694				
Net assets - ending	\$ 2,952,849				

See accompanying notes to the basic financial statements.

City of Shreveport City Court
 Shreveport, Louisiana
 Balance Sheet
 Governmental Funds
 December 31, 2002

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Other Governmental - Probation	Other Governmental - Pro Bono	
Assets				
Cash and cash equivalents	\$ 1,674,494	\$ 867,900	\$ 753	\$ 2,543,147
Receivables	15,797	8,946		24,743
Total assets	\$ 1,690,291	\$ 876,846	\$ 753	\$ 2,567,890
Liabilities				
Accounts payable	\$ 77,090	\$	\$	\$ 77,090
Total liabilities	77,090			77,090
Fund balances				
Unreserved	1,613,201			1,613,201
Unreserved, special revenue		876,846	753	877,599
Total fund balances	1,613,201	876,846	753	2,490,800
Total liabilities and fund balances	\$ 1,690,291	\$ 876,846	\$ 753	

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

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

462,049

Net assets of governmental activities

\$ 2,952,849

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, 2002

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Other Governmental - Probation	Other Governmental - Pro Bono	
Revenues:				
Charges for services - fees and fines	\$ 377,931	\$ 124,700	\$ 773	\$ 503,404
Interest income	37,475	13,805	6	51,286
Total revenues	<u>415,406</u>	<u>138,505</u>	<u>779</u>	<u>554,690</u>
Expenditures:				
Current:				
General government:				
Operating services	128,445	387	26	128,858
Materials and supplies	108,779	2,114		110,893
Travel and other charges	42,743	286		43,029
Capital outlay	70,555			70,555
Total expenditures	<u>350,522</u>	<u>2,787</u>	<u>26</u>	<u>353,335</u>
Excess of revenues over expenditures	64,884	135,718	753	201,355
Fund balances at beginning of year, restated	<u>1,548,317</u>	<u>741,128</u>		<u>2,289,445</u>
Fund balances at end of year	<u>\$ 1,613,201</u>	<u>\$ 876,846</u>	<u>\$ 753</u>	<u>\$ 2,490,800</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Activities:**

Net change in fund balances - total governmental funds	\$ 201,355
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$70,555) exceeded depreciation (\$60,755) in the current period.	<u>9,800</u>
Change in net assets of governmental activities	<u>\$ 211,155</u>

See accompanying notes to the basic financial statements.

**City of Shreveport City Court
Shreveport, Louisiana
Statement of Net Assets
Fiduciary Funds
December 31, 2002**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,238,705
Total assets	<u>\$ 1,238,705</u>
Liabilities	
Unsettled deposits due to others	\$ 1,238,705
Total liabilities	<u>\$ 1,238,705</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2002

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, small claims 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 Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2002
(Continued)

term assets and receivables. The City Court's net assets are reported in two parts – invested in capital assets, and unrestricted net assets.

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. The net costs (by function) are normally covered by general revenue (interest income).

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, criminal fund, and a portion of the small claims 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 are reported using accounting principles similar to proprietary funds.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2002
(Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor 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 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 a portion of 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.

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.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2002
(Continued)

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is not employed by the City Court.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, and time deposits.

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.

G. Capital Assets

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

H. 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.

(Continued)

City of Shreveport City Court
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2002
 (Continued)

(2) Prior Year Restatement

The Small Claims account of the City Court includes both agency funds, which are fiduciary in nature, as well as discretionary funds of the City Court. During the year ended December 31, 2002, the determination was made that the agency funds of the Small Claims account be reported separately in the Statement of Net Assets – Fiduciary Funds, and that only the discretionary funds of the Small Claims account be included in the general funds of the City Court. As a result, the beginning net assets and the beginning fund balances of governmental funds have been restated, as follows:

	<u>Net Assets- Government-Wide Statements</u>	<u>Fund Balance – Fund Statements</u>
Balance, December 31, 2001	\$ 2,899,325	\$ 2,447,076
Adjustment to reflect balance in agency Funds at December 31, 2001	<u>(157,631)</u>	<u>(157,631)</u>
Balance, December 31, 2001, restated	<u>\$ 2,741,694</u>	<u>\$ 2,289,445</u>

(3) Budgets

No budget was adopted during the year for the City Court's general funds or special revenue funds.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2002
(Continued)

(4) Cash and Cash Equivalents

At December 31, 2002, the City Court has cash and cash equivalents (book balances) totaling \$3,781,852 as follows:

Petty cash	\$ 474
Demand deposits	2,837,979
Certificates of deposit	<u>943,399</u>
	<u>\$ 3,781,852</u>

Reconciliation to government-wide Statement of Net Assets:

Cash and cash equivalents	\$ 2,543,147
Agency funds (not on government-wide statements)	<u>1,238,705</u>
	<u>\$ 3,781,852</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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2002, the City Court has \$3,801,888 in deposits (collected bank balances). These deposits are secured from risk by \$476,310 of federal deposit insurance and \$3,225,578 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$100,000 is not secured by the pledge of securities and is a violation of state law.

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, 2002
(Continued)

(5) Capital Assets

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

	<u>Balance at Jan. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2002</u>
Governmental Activities:				
Computer equipment	\$ 119,969	\$ 2,763	\$ -	\$ 122,732
Office equipment	85,306	-	-	85,306
Office furniture and improvements	<u>397,558</u>	<u>67,792</u>	<u>-</u>	<u>465,350</u>
Totals at historical cost	<u>602,833</u>	<u>70,555</u>	<u>-</u>	<u>673,388</u>
Less accumulated depreciation:				
Computer equipment	(62,119)	(24,302)	-	(86,421)
Office equipment	(16,383)	(7,612)	-	(23,995)
Office furniture and improvements	<u>(72,082)</u>	<u>(28,841)</u>	<u>-</u>	<u>(100,923)</u>
Total accumulated depreciation	<u>(150,584)</u>	<u>(60,755)</u>	<u>-</u>	<u>(211,339)</u>
Governmental activities capital assets, net	<u><u>\$ 452,249</u></u>	<u><u>\$ 9,800</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 462,049</u></u>

Depreciation expense was charged to Governmental Activities as follows:

Judicial expenses	\$ 60,496
Probation	<u>259</u>
	<u><u>\$ 60,755</u></u>

(Continued)

City of Shreveport City Court
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2002
 (Continued)

(6) Changes in Agency Fund Balances

A summary of changes in agency funds follows:

	<u>Balance at Jan. 1, 2002</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at Dec. 31, 2002</u>
Civil Division	\$ 885,660	\$ -	\$ 682,472	\$ 648,031	\$ 920,101
Violations Bureau	101,899	-	1,509,553	1,471,207	140,245
Small Claims	-	157,631	243,298	222,570	178,359
	<u>\$ 987,559</u>	<u>\$ 157,631</u>	<u>\$ 2,435,323</u>	<u>\$ 2,341,808</u>	<u>\$ 1,238,705</u>

(7) 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.

(8) 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.

(9) Leases

The City Court leases a copier under an operating lease. Rental costs on that lease for the year ended December 31, 2002, was \$ 3,423.

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

<u>For the Year Ending December 31,</u>	
2003	\$ 3,423
2004	3,423
2005	3,423
2006	2,567
Total minimum future rentals	<u>\$ 12,836</u>

COOK & MOREHART

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Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

City of Shreveport City Court
Shreveport, Louisiana

We have audited the basic financial statements of the City of Shreveport City Court as of and for the year ended December 31, 2002, and have issued our report thereon dated March 5, 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 City of Shreveport City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*, as described below.

Compliance Finding No. 2002-1

The City Court did not prepare a budget for its general and special revenue funds, as required by the Louisiana Local Government Budget Act.

Compliance Finding No. 2002-2

The City Court did not appropriately let for bid its fiscal agent and did not have its deposits adequately secured at December 31, 2002, as required by Louisiana Revised Statute 39:1221.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shreveport City Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 City of Shreveport City Court's ability to record, process, summarize and report financial data consistent with the

assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as items 2002-3.

Reportable Condition Finding No. 2002-3

A checking account established pursuant to a personal services contract with an outside third party management services company was not properly controlled or monitored by the City Court.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported to management of the City of Shreveport City Court in a separate management letter dated March 5, 2003.

This report is intended solely for the information and use of management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
March 5, 2003

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002

Summary Schedule of Prior Audit Findings

There were three findings in the prior audit for the year ended December 31, 2001, as follows:

Reference No.: 2001-1

Description of Finding: The City Court did not appropriately adopt a budget for its general and special revenue funds for the year ended December 31, 2001, as required by the Louisiana Local Government Budget Act.

Current Status / Planned
Corrective Action: See finding 2002-1 in current year audit for the year ended December 31, 2002.

Reference No.: 2001-2

Description of Finding: The City Court did not appropriately advertise and let for bid in selecting its fiscal agency. Louisiana Revised Statute 39:1214 states that the City Court shall give written notice to each of the banks located in the parish in which the City Court is domiciled, setting forth the intention of the City Court to select a fiscal agency.

In addition, the City Court did not have its deposits adequately secured as of December 31, 2001 through federal deposit insurance or the pledge of securities. The total unsecured bank balances as of December 31, 2001, was \$179,856. (See note 3 to the financial statements)

Current Status / Planned
Corrective Action: See finding 2002-2 in current year audit for the year ended December 31, 2002.

Reference No.: 2001-3

Description of Finding: Reportable Condition

During our audit for the year ended December 31, 2000, the City Court made us aware of a personal services contract entered into during 1997 between an outside third party management services company and the City of Shreveport City Court, the City of Shreveport City Marshall, and the City of Shreveport. The contractor was to provide management analysis and services in regards to management and collection of delinquent fines, court costs, charges and fees from persons subject to unsatisfied attachments or arrests warrants related to

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)

traffic misdemeanors and violations through December 31, 1995. The contractor was to receive compensation based upon a percentage of collections for those past due violations. The contract states that the contractor would establish a trust account at a certain bank, deposit all amounts received as payments for the violations and deduct the fees provided in the contract and remit the amount due the City Court on a monthly basis.

Since the contract was entered into in July, 1997 the contractor has maintained the checking account, has signature authority over the account and has had the bank statements mailed to the contractor's office. The contractor has also prepared the checks written out of the account. The City Court did not monitor the checking account on a current basis from the inception of the contract. In early 2001, the bank statements were being mailed to the City Court.

Proper control and monitoring of the account was not done by the City Court. The checking account should have been controlled by the City Court.

Current Status / Planned

Corrective Action:

See finding 2002-3 in current year audit for the year ended December 31, 2002.

There were six management letter comments in the prior year audit for the year ended December 31, 2001, as follows:

Comment 1: Bank Reconciliation – Civil Division Fund

Improvement was noted this year.

Comment 2: Fixed Asset Records

Improvement was noted this year.

Comment 3: General Ledger – Violations Bureau Account

See comment in current year management letter for the year ended December 31, 2002.

Comment 4: Separation of Duties – Violations Bureau Account

See comment in current year management letter for the year ended December 31, 2002.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)

Comment 5: Separation of Duties – Bank Reconciliations

See comment in current year management letter for the year ended December 31, 2002.

Comment 6: Monthly Financial Statements

See comment in current year management letter for the year ended December 31, 2002.

Corrective Action Plan For Current Year Audit Findings

Reference No.:	2002-1
Description of Finding:	The City Court did not appropriately adopt a budget for its general and special revenue funds for the year ended December 31, 2002, as required by the Louisiana Local Government Budget Act.
Corrective Action Planned:	The City Court has partially complied with this recommendation and did appropriately adopt a budget for its general and special revenue funds for the year ending December 31, 2003 and will do so for every year thereafter as required by the Louisiana Local Government Budget Act.
Name of Contact Person:	Virginia Hester, Court Administrator
Anticipated Completion Date:	June 30, 2003

Reference No.:	2002-2
Description of Finding:	<p>The City Court did not appropriately advertise and let for bid in selecting its fiscal agency. Louisiana Revised Statute 39:1214 states that the City Court shall give written notice to each of the banks located in the parish in which the City Court is domiciled, setting forth the intention of the City Court to select a fiscal agency.</p> <p>In addition, the City Court did not have its deposits adequately secured as of December 31, 2002 through federal deposit insurance or the pledge of securities. The total unsecured bank balances as of December 31, 2002, was \$100,000. (See note 4 to the financial statements)</p>

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)

Corrective Action Planned: The City Court will appropriately advertise and let for bid in selecting its fiscal agency by giving written notice to each of the banks located in Caddo Parish, setting forth the Court's intention to select a fiscal agency, according to Louisiana Revised Statue 39:1214, for the year 2004 and every five years thereafter.

We will have all of our deposits adequately secured at all times through federal deposit insurance or by the pledge of securities. We will have the unsecured bank balances as of December 31, 2002, in the amount of \$100,000, secured by the banking institution.

Name of Contact Person: Virginia Hester, Court Administrator

Anticipated Completion Date: June 30, 2003

Reference No.: 2002-3

Description of Finding: Reportable Condition

During our audit for the year ended December 31, 2000, the City Court made us aware of a personal services contract entered into during 1997 between an outside third party management services company and the City of Shreveport City Court, the City of Shreveport City Marshall, and the City of Shreveport. The contractor was to provide management analysis and services in regards to management and collection of delinquent fines, court costs, charges and fees from persons subject to unsatisfied attachments or arrests warrants related to traffic misdemeanors and violations through December 31, 1995. The contractor was to receive compensation based upon a percentage of collections for those past due violations. The contract states that the contractor would establish at trust account at a certain bank, deposit all amounts received as payments for the violations and deduct the fees provided in the contract and remit the amount due the City Court on a monthly basis.

Since the contract was entered into in July, 1997 the contractor has maintained the checking account, has signature authority over the account and has had the bank statements mailed to the contractor's office. The contractor has also prepared the checks written out of the account. The City Court did not monitor the checking account on a current basis from the inception of the contract.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)

Proper control and monitoring of the account was not done by the City Court.
The checking account should have been controlled by the City Court.

Corrective Action Planned: The contract with TCMS has been terminated and the checking account has been closed. The contractor is no longer collecting delinquent fines, court costs, charges or fees for the City Court.

Name of Contact Person: Virginia Hester, Court Administrator

Anticipated Completed Date: June 30, 2003

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)

Management Letter Comments:

Management's response to the current year management letter comments is as follows:

Comment 1: General Ledger – Violations Bureau Account

The City Court will comply with this recommendation. Our accountant will immediately begin maintaining a general ledger for the Violations Bureau checking account. We are currently researching appropriate accounting software for our use to handle all financial/accounting functions.

Comment 2: Separation of Duties – Violations Bureau Account

The City Court will immediately comply with this recommendation. The Senior Deputy Court Clerk will issue the checks for this account but the bank statement reconciliation will be done by our Accountant.

Comment 3: Separation of Duties – Bank Reconciliations

The City Court will immediately comply with this recommendation. All bank statements, along with the canceled checks, will be delivered to the Judicial Administrator or the Assistant Judicial Administrator for review and signature prior to being delivered to or opened by the Accountant. After review and signature by the Judicial Administrator or Assistant Judicial Administrator, the Accountant will prepare the bank reconciliations on a monthly basis and submit same to the Judicial Administrator or Assistant Judicial Administrator for review and signature.

Comment 4: Monthly Financial Statements

The City Court will immediately comply with this recommendation. We are currently maintaining our accounting records on a current basis and will prepare monthly financial statements in order to provide proper monitoring over the financial activity of the funds maintained by the City Court.

Comment 5: Violations Account

These funds for the two deposits in June 2002 from TCMS have not yet been disbursed as we have requested, but have not yet received, a detailed report from Dan Haggerty (TCMS) which should indicate how these funds should be properly disbursed. We will comply with this request and disburse these funds.

(Continued)

**City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2002
(Continued)**

Comment 6: Travel Reimbursements

The City Court will comply with this request immediately. All advance travel payments will be supported by appropriate documentation prior to any advance payment being made to the employee.

All travel reconciliations will be prepared by the employee and submitted to the Accountant within five days of the employees' return from travel. All documentation supporting travel charges will be attached to the travel reconciliation and no additional payments will be paid to the employee without proper receipts or other documentation.

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Management Letter

March 5, 2003

Virginia Hester
Judicial Administrator

Judge R. Lee Irvin
Judge Charles W. Kelley, IV
Judge Laleshia Walker Alford
Judge Randy E. Collins

City of Shreveport City Court

We have audited the financial statements of the City of Shreveport City Court (City Court), for the year ended December 31, 2002, and have issued our report thereon dated March 5, 2003. In planning and performing our audit of the financial statements of the City Court, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of the City Court.

Comment #1: General Ledger – Violations Bureau Account

During our audit, we noted that the checking account for the Violations Bureau was not recorded on any fund's general ledger.

We recommend a general ledger be kept for the Violations Bureau checking account.

Comment #2: Separation of Duties – Violations Bureau Account

During our audit, we noted that a Senior Deputy Court Clerk issues the checks and reconciles the bank statement for the Violations Bureau checking account.

We recommend that the monthly bank reconciliation be done by someone else and that the bank statements be delivered unopened to someone else for review before being delivered to the employee to prepared the bank reconciliation, to provide proper separation of duties.

Comment #3: Separation of Duties – Bank Reconciliations

During our audit, we noted that the same City Court employee maintains the general ledger, prepares the checks, and prepares the bank reconciliations for certain funds maintained by the City Court.

We recommend that all bank statements be delivered to the Judicial Administrator or Assistant Judicial Administrator for review before being delivered to the employee to prepare the bank reconciliation. We also suggest that the Judicial Administrator or the Assistant Judicial Administrator review all bank reconciliations each month after preparation.

Comment #4: Monthly Financial Statements

During our audit, we noted that the accounting records of the City Court were not maintained in such a way as to allow for monthly financial statements to be prepared.

We recommend that the City Court maintain their accounting records on a current basis and prepare monthly financial statements to provide proper monitoring over the financial activity of the funds maintained by the City Court.

Comment #5: Violations Account

During our audit, we noted two deposits made to the Violations Bureau checking account in June 2002 for \$29,768.45 and \$5,902.78. The deposits came from the TCMS account. These funds have not yet been disbursed from the Violations Bureau account.

We recommend that the City Court follow up on these two deposits to ascertain how to properly disburse these funds.

Comment #6: Travel Reimbursements

During our audit, we tested several travel disbursements and noted that travel reconciliations are not always prepared upon return from travel and documentation supporting travel charges was not always attached to payments made.

We recommend that all travel payments be supported by appropriate supporting documentation.

We express sincere thanks to the City Court personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.



Cook & Morehart
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