

**MUNICIPAL AND TRAFFIC COURT  
OF NEW ORLEANS**

**FINANCIAL STATEMENTS**

**December 31, 2019**



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**Report**



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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Judges en banc of  
Municipal and Traffic Court of New Orleans  
New Orleans, Louisiana

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Municipal and Traffic Court of New Orleans (the Court), as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the 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.

### **Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Court'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 Court's 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 Court as of December 31, 2019, and the respective changes in financial position 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 4 through 10 and pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Court's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's 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 the Court's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

September 23, 2020  
New Orleans, LA



**Required Supplementary  
Information (Part I)**



**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

Management’s discussion and analysis (MD&A) of the Municipal and Traffic Court of New Orleans’ (MTCNO) financial performance is designed to provide an overview of the financial activities as of and for the year ended December 31, 2019. This information should be read in conjunction with the basic financial statements and the accompanying notes to financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The MD&A is required information that provides an overview of the Municipal and Traffic Court of New Orleans’ (MTCNO or Court) basic financial statements and financial activities. A user of this report should read the independent auditors’ report carefully to ascertain the level of assurance being provided on these reports.

The City of New Orleans experienced a cyberattack on Dec 13, 2019 which had a large scale effect on operations and data at the Municipal and Traffic Court of New Orleans (MTCNO). The City’s Information Technology and Innovation (ITI) division had been backing up the Case Management system as well as the financial information systems for the Court. These systems were affected and all activities were in disarray through the end of the year. There was no system availability and collections were reduced drastically. The City’s ITI was unable to retrieve the backups for the financial system at the MTCNO. After evaluating the situation, MTCNO decided to implement a Cloud based application from Intuit Corporation which is backed up by them on a daily basis. The financial system was rebuilt by taking the audited statements from 2018 and adding the transactional data from 2019.

The MTCNO implemented a text reminder module where a text reminder is being sent to defendants about next actions due in court as well as payment obligations due to the Court. The programming for this module was funded by the Louisiana Supreme Court which obligated Digicomm to provide this module to MTCNO. This was implemented on March 22, 2019.

This annual report consists of a series of financial statements. The Court’s basic financial statements consist of the following components: Government-Wide Financial Statements, Fund Financial Statements, and Agency Financial Statements.

**Government-Wide Financial Statements**

The Statement of Net Position reflects the financial position of the MTCNO. The unrestricted net position for the Court as reflected in this statement consists of funds available (deficient) for future spending to meet the needs of the Court’s operations.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

The Statement of Net Position and the Statement of Activities report information on the Court as a whole and report about its activities in a way that shows the overall financial health of the office. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Fund Financial Statements**

Fund financial statements report detailed information on the MTCNO funds maintained by the Court's office. The General Fund is established as mandated by Louisiana Revised Statute (LA RS) 13:2496.4.

The Court uses governmental funds for basic services. Governmental funds focus on how money flows into and out of the operating accounts and reflect the balances left at year-end that are available for spending. These funds are reported under the modified accrual accounting method, 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 general government operations and the basic services it provides. Governmental fund information helps assist in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Court programs.

**FINANCIAL HIGHLIGHTS**

The financial statements provide details of the current year's operations:

Total assets as of December 31, 2019 were \$5,140,765 and total liabilities were \$307,556. As of December 31, 2019, the MTCNO had a net position of \$4,833,209, of which \$3,744,195 was unrestricted and represents the portion that is available to maintain the continuing obligations to citizens.

- The City of New Orleans appropriates funds in the City's budget for the support of the Court's payroll expenses of \$6,297,576. These on-behalf payments have been recorded as City Revenues.
- Program expenses were under program revenues in the current year by \$783,473. Ticket revenues were down significantly because of a significant drop in the tickets issued in Traffic cases.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

In accordance with statutory requirements, the MTCNO has no bonded indebtedness or long-term notes. The most significant continuing revenue sources for governmental activities were ticket revenues and city revenues.

**FINANCIAL ANALYSIS OF THE MTCNO AS A WHOLE (GWFS)**

The Statement of Net Position and the Statement of Activities report only one type of activity – governmental activities. Most of the basic court services are reported as this type. Ticket fees charged to the public, finance most of these activities.

Our analysis below focuses on the net position of the governmental-type activities:

**Condensed Statements of Net Position**

	<b>2019</b>	<b>2018</b>	<b>Difference</b>	<b>Percentage Change</b>
Current and other assets	\$ 5,086,918	\$ 4,227,047	\$ 859,871	21%
Capital assets, net of accumulated depreciation	53,847	103,180	(49,333)	(48)%
<b>Total assets</b>	<b>5,140,765</b>	<b>4,330,227</b>	<b>810,538</b>	<b>19%</b>
Current liabilities	307,556	281,445	26,111	10%
<b>Total liabilities</b>	<b>307,556</b>	<b>281,445</b>	<b>26,111</b>	<b>10%</b>
Invested in capital assets	53,847	103,180	(49,333)	(48)%
Restricted net position	1,035,167	816,383	244,895	30%
Unrestricted net position	3,744,195	3,129,219	614,976	20%
<b>Total net position</b>	<b>\$ 4,833,209</b>	<b>\$ 4,048,782</b>	<b>\$ 784,427</b>	<b>20%</b>

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

The increase in current and other assets was due to an increase in cash reserves, and accounts receivable. There was a \$6,000 addition to capital assets, which was the purchase of the payment kiosk for the Court.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased due to current year operating results.

**Condensed Statement of Activities**

	2019	2018	Difference	Percentage Change
Total program revenue	<b>\$ 8,015,371</b>	\$ 8,132,488	\$ (117,117)	(2)%
Total program expense	<b>7,231,898</b>	7,281,467	(49,569)	(1)%
Net program income	<b>783,473</b>	851,021	(67,548)	(8)%
Interest earnings	<b>954</b>	1,838	(884)	(48)%
Change in net position	<b>784,427</b>	852,859	(68,432)	(8)%
Net position -beginning of year	<b>4,048,782</b>	3,195,923	852,859	27%
Net position - end of year	<b>\$ 4,833,209</b>	\$ 4,048,782	\$ 784,427	20%

The Program revenues have decreased because the city revenues decreased due to attrition in personnel. The Court also had a decrease in its ticket revenues because of a significant drop in the tickets issued in Traffic cases.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF JUDICIAL EXPENSE FUND (GENERAL FUND)**

As noted earlier, the MTCNO uses funds to control and manage money for particular purposes. Analyzing these funds helps to determine whether the Court is using resources in a responsible manner and maintaining the financial integrity of the office.

**Condensed Statements of Revenues, Expenditures and Changes in Fund Balance**

	2019	2018	Difference	Percentage Change
Total revenues	\$ 7,796,871	\$ 7,928,919	\$(132,048)	(2)%
Expenditures:				
Current	7,175,895	7,187,239	(11,344)	(1)%
Capital outlay	6,000	-	6,000	(100)%
Total expenditures	7,181,895	7,187,239	(5,344)	(0)%
Other financing sources (uses)				
Transfers In	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund	614,976	741,680	(126,704)	(17)%
Fund balance - beginning of year	3,129,219	2,387,538	741,681	31%
Fund balance – end of year	\$ 3,744,195	\$ 3,129,219	\$ 614,976	20%

The Judicial Expense Fund (JEF) continued to see a decline in ticket revenue. The primary driver was a result of a shift in focus by the New Orleans Police department and a reduction in traffic patrol officers. Also, there were no revenue collections after the cyberattack on the city on December 13, 2019 until the end of the year. This was discussed in detail earlier in the report.

The expenditures are a reflection of significant reductions in personnel and operating expenses.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**JUDICIAL EXPENSE FUND BUDGETARY HIGHLIGHTS**

	Actual	Budgeted	Variance	Percent
<b>Revenues</b>				
City revenues - on-behalf payments	<b>\$ 6,297,576</b>	\$ 6,297,576	\$ -	0%
Fines and fees	<b>1,381,479</b>	1,399,000	(17,521)	(1)%
Interest	<b>953</b>	1000	(46)	(5)%
Other income	<b>115,523</b>	108,600	6,923	6%
<b>Total revenue</b>	<b>7,795,531</b>	7,806,176	(9,306)	(1)%
<b>Expenditures</b>				
Personnel services and related benefits	<b>6,297,576</b>	6,297,576	-	0%
Operating services	<b>876,979</b>	1,054,111	(177,132)	(17)%
Capital outlay	<b>6,000</b>	-	6,000	100%
<b>Total expenditures</b>	<b>7,181,895</b>	7,351,687	(169,792)	(17)%
<b>Excess (deficit) of revenue over expenditures</b>	<b>\$ 613,636</b>	\$ 454,489	\$ 159,147	36%

The Municipal and Traffic Court of New Orleans' budget for January 1, 2019 to December 31, 2019 was proposed and made available for public inspection by the Municipal and Traffic Court of New Orleans and approved by the City Council. The budget was amended and made available for public inspection. The amended budget for the JEF was approved during an en banc meeting on November 7, 2019.

**CAPITAL ASSETS**

The Court's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2019 was \$53,847. Summary of capital assets is detailed below:

Computer software	<b>\$ 799,257</b>
Vehicles	<b>28,900</b>
Machinery and equipment	<b>20,853</b>
<b>Total cost</b>	<b>849,010</b>
<b>Accumulated depreciation</b>	<b>(795,163)</b>
<b>Net capital assets</b>	<b>\$ 53,847</b>
<b>Depreciation expense</b>	<b>\$ 55,333</b>

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**LONG TERM OBLIGATIONS**

The Court is not allowed to incur long-term indebtedness for bonds or notes payable; therefore, the Court has no long-term debt outstanding.

**ECONOMIC AND OTHER FACTORS AFFECTING OPERATIONS, LIQUIDITY AND 2020'S BUDGET**

The Court is fiscally dependent on the City and payments from traffic violations. The City provides courthouse maintenance and pays for utilities. The cyberattack and the restrictions in operations due to the COVID-19 situation are all affecting the operations and liquidity of the Court as well as the budget for 2020 and 2021. Also, the gubernatorially declared disaster due to COVID-19 outbreak in Louisiana resulted in reduced operations from the early part of 2020 and affected the return to normal operations.

**CONTACTING FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Court's finances and to demonstrate accountability for the money it receives. Questions about this report should be referred to Edward M. Walters, Judicial Administrator, Municipal and Traffic Court of New Orleans Court, 727 South Broad Street, New Orleans, LA 70119.



# Financial Statements



**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2019**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 5,024,997
Due from others	12,063
Due from agency funds	49,858
<hr/>	
Total current assets	5,086,918
<hr/>	
<b>CAPITAL ASSETS</b> , net of accumulated depreciation	53,847
<hr/>	
<b>TOTAL ASSETS</b>	5,140,765
<hr/>	
<b>LIABILITIES</b>	
Accounts payable	299,664
Due to others	7,892
<hr/>	
<b>TOTAL LIABILITIES</b>	307,556
<hr/>	
<b>NET POSITION</b>	
Net investment in capital assets	53,847
Restricted for Probation	845,789
Restricted for Building and Maintenance	189,378
Unrestricted net position	3,744,195
<hr/>	
<b>TOTAL NET POSITION</b>	\$ 4,833,209
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*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**EXPENSES**

General government:	
Personnel services and related benefits	\$ 6,297,576
Operating services	934,322
<hr/>	
Total expenses	7,231,898
<hr/>	

**PROGRAM REVENUES**

Ticket charges	1,298,009
Bond forfeitures	27,832
Reinstate fees	55,638
Probation fees	129,583
Building fee	89,871
City revenues - on-behalf payments	6,297,576
Rights fees	108,000
Miscellaneous fees	8,862
<hr/>	
Total program revenues	8,015,371
<hr/>	

**GENERAL REVENUES**

Interest earnings	954
<hr/>	
Total general revenues	954
<hr/>	

**CHANGE IN NET POSITION** 784,427

**NET POSITION - Beginning of year** 4,048,782

**NET POSITION - End of year** \$ 4,833,209

*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2019**

	Judicial Expense Fund (General Fund)	Probation Fund	Nonmajor Governmental Fund - Building and Maintenance Fund	Total Governmental Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,739,626	\$ 1,099,466	\$ 185,905	\$ 5,024,997
Due from others	12,063	-	-	12,063
Due from agency funds	42,397	3,988	3,473	49,858
<b>TOTAL ASSETS</b>	<b>\$ 3,794,086</b>	<b>\$ 1,103,454</b>	<b>\$ 189,378</b>	<b>\$ 5,086,918</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 41,999	\$ 257,665	\$ -	\$ 299,664
Due to others	7,892	-	-	7,892
<b>TOTAL LIABILITIES</b>	<b>49,891</b>	<b>257,665</b>	<b>-</b>	<b>307,556</b>
<b>FUND BALANCE</b>				
Restricted for Probation	-	845,789	-	845,789
Restricted for Building and Maintenance	-	-	189,378	189,378
Unassigned balance	3,744,195	-	-	3,744,195
<b>TOTAL FUND BALANCE</b>	<b>3,744,195</b>	<b>845,789</b>	<b>189,378</b>	<b>4,779,362</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,794,086</b>	<b>\$ 1,103,454</b>	<b>\$ 189,378</b>	<b>\$ 5,086,918</b>

*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2019**

**FUND BALANCE - total governmental funds** **\$ 4,779,362**

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

Capital assets used in governmental activities are not current  
financial resources; and therefore, are not reported at  
the fund financial reporting level **53,847**

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**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 4,833,209**

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*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Judicial Expense Fund (General Fund)	Probation Fund	Nonmajor Governmental Fund - Building and Maintenance Fund	Total Governmental Funds
<b>REVENUES</b>				
Ticket fees	\$ 1,298,009	\$ -	\$ -	\$ 1,298,009
Bond forfeitures	27,832	-	-	27,832
Building and maintenance fees	-	-	89,871	89,871
Reinstate fees	55,638	-	-	55,638
City revenues - on-behalf payments	6,297,576	-	-	6,297,576
Interest earnings	953	-	-	953
Probation fees	-	129,583	-	129,583
Rights fees	108,000	-	-	108,000
Other miscellaneous	7,523	-	-	7,523
<b>Total revenues</b>	<b>7,795,531</b>	<b>129,583</b>	<b>89,871</b>	<b>8,014,985</b>
<b>EXPENDITURES</b>				
General government:				
Personnel services and related benefits	6,297,576	-	-	6,297,576
Operating services	876,979	670	-	877,649
Capital outlay	6,000	-	-	6,000
<b>Total expenditures</b>	<b>7,180,555</b>	<b>670</b>	<b>-</b>	<b>7,181,225</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>614,976</b>	<b>128,913</b>	<b>89,871</b>	<b>833,760</b>
<b>FUND BALANCE - Beginning of year</b>	<b>3,129,219</b>	<b>716,876</b>	<b>99,507</b>	<b>3,945,602</b>
<b>FUND BALANCE - End of year</b>	<b>\$ 3,744,195</b>	<b>\$ 845,789</b>	<b>\$ 189,378</b>	<b>\$ 4,779,362</b>

*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OR NEW ORLEANS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NET CHANGE IN FUND BALANCE - total governmental funds** **\$ 833,760**

Amounts reported for governmental activities in the statement of activities  
(government-wide financial statements) are different because:

Governmental funds report capital outlays as expenditures in the individual fund.  
Governmental activities report depreciation expense to allocate the cost of those  
capital assets over the estimated useful lives of the asset.

Addition to capital outlay	6,000
Depreciation expense	(55,333)
<hr/>	
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 784,427</b>

*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**AS OF DECEMBER 31, 2019**

	Fines and Fees Fund	Cash Bonds Fund	Total Agency Funds
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 179,201	\$ 633,317	\$ 812,518
<b>TOTAL ASSETS</b>	<b>\$ 179,201</b>	<b>\$ 633,317</b>	<b>\$ 812,518</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Fines and fees due to other governments	\$ 130,466	\$ -	\$ 130,466
Bonds held	-	632,194	632,194
Due to General Fund	41,274	1,123	42,397
Due to Probation Fund	3,988	-	3,988
Due to Building and Maintenance Fund	3,473	-	3,473
<b>TOTAL LIABILITIES</b>	<b>\$ 179,201</b>	<b>\$ 633,317</b>	<b>\$ 812,518</b>

*The accompanying notes are an integral part of this financial statement.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY**  
**FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2019</u>
<b>FINES AND FEES:</b>				
Cash and cash equivalents	\$ 345,589	\$ 5,217,855	\$ (5,384,243)	\$ 179,201
Fines and fees assets	\$ 345,589	\$ 5,217,855	\$ (5,384,243)	\$ 179,201
Fines and fees due to other governments	\$ 189,572	\$ 3,817,462	\$ (3,876,568)	\$ 130,466
Due to General Fund	87,162	1,242,332	(1,288,220)	41,274
Due to Probation Fund	10,114	123,457	(129,583)	3,988
Due to Building and Maintenance Fund	58,741	34,603	(89,871)	3,473
Fines and fees liabilities	\$ 345,589	\$ 3,852,065	\$ (3,966,439)	\$ 179,201
<b>BONDS HELD:</b>				
Cash and cash equivalents	\$ 601,309	\$ 238,364	\$ (206,356)	\$ 633,317
Bonds held assets	\$ 601,309	\$ 238,364	\$ (206,356)	\$ 633,317
Bonds held	\$ 585,637	\$ 238,564	\$ (192,007)	\$ 632,194
Due to General Fund	15,672	-	(14,549)	1,123
Bonds held liabilities	\$ 601,309	\$ 238,564	\$ (206,556)	\$ 633,317
<b>TOTAL AGENCY FUNDS:</b>				
Cash and cash equivalents	\$ 946,898	\$ 5,456,219	\$ (5,590,599)	\$ 812,518
Total assets	\$ 946,898	\$ 5,456,219	\$ (5,590,599)	\$ 812,518
Fines and fees due to other governments	\$ 189,572	\$ 3,817,462	\$ (3,876,568)	\$ 130,466
Bonds held	585,637	238,564	(192,007)	632,194
Due to General Fund	102,834	1,242,332	(1,302,769)	42,397
Due to Probation Fund	10,114	123,457	(129,583)	3,988
Due to Building and Maintenance Fund	58,741	34,603	(89,871)	3,473
Total liabilities	\$ 946,898	\$ 5,456,418	\$ (5,590,798)	\$ 812,518

*The accompanying notes are an integral part of this financial statement.*



## MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Overview** – As provided by the Louisiana Legislature HB 600 (Act No. 631), effective January 1, 2017, the New Orleans Traffic Court and the Municipal Court of New Orleans consolidated, abolishing the individual Courts. The consolidated Court became the Municipal and Traffic Court of New Orleans (the “Court”). Accordingly, the Court began the process of combining the budget, funds, accounts and financial operations as components of the consolidated Court.

**Basis of presentation** – The accompanying financial statements of the Municipal and Traffic Court of New Orleans have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting entity** – The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Codifications 2100 *Defining the Financial Reporting Entity*, 2300 *Notes to Financial Statements*, and 2600 *Reporting Entity and Component Unit Presentation and Disclosure* in that the financial statements include all organizations, activities, and functions that compromise the Court. Component units are legally separate entities for which the Court (the primary entity) is financially accountable.

The Court is fiscally dependent on the City of New Orleans (the City) and payments from traffic and misdemeanor offences. The City maintains and operates the courthouse in which the Court's office is located and provides funds for equipment and furniture to the Court. However, the Court judges are independently elected officials, and the Court has separate corporate powers that establish it as being a legally separate unit. These separate powers and authority are established by State and City Ordinances. Additionally, the Court financial statements are not material to the financial statements of the City. Based on these factors, it was determined that the Court is not a component unit of the City, the financial reporting entity.

The accompanying financial statements present information of the Court's Judicial Expense Fund as established by Louisiana Revised Statute (LA RS) 13:2507.1 and on-behalf payments as described in the accompanying notes. They also present the information regarding the Probation Fund and Building and Maintenance fund. The financial statements do not present information on the City, the general government services provided by that governmental unit, or the other governmental units.

**Fund accounting** – The Court uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

## MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Governmental Funds** - The general fund (Judicial Expense Fund) accounts for all the Court's general activities. This fund focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, the fund balance represents the accumulated expendable resources which may be used to finance future period programs and/or operations of the Court. The following are the Court's governmental funds:

*Judicial Expense Fund* – The Judicial Expense Fund (JEF) is the primary operating fund of the Court. It accounts for all financial resources, except those required to be accounted for in other funds. The Judicial Expense Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Court policy. The Court's Judicial Expense Fund serves as the General Fund for the court.

Salaries of the judges of the Court, which are paid directly by the Supreme Court of Louisiana, are not included in the financial statements presented herein since such salaries are earned by the respective judges for serving in their capacities as state judges and not for compensation in their roles as management of the Judicial Expense Fund.

*Probation Fund* – The probation fund accounts for the program fees collected for Probation. The Probation Fund was established by the Louisiana Revised Statute 13:2500.1. A fee of \$15 shall be levied on each conviction and bond forfeiture. All fees for alternative sentencing program shall also be assessed.

*Building and Maintenance Fund* - The Building and Maintenance Fund was established by the City of New Orleans Municipal Code 50-149. A fee of \$5 shall be levied on each conviction. This fund is to be used for the maintenance, upkeep, and security of the Municipal and Traffic Court building.

## MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Fiduciary Funds*** – The fiduciary fund reporting focuses on net assets and changes in net assets. The only funds accounted for in this category are the agency funds. The agency funds account for assets held by the Court as an agent for litigants held in pending court action. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting. The Court maintains two agency funds: Fines and Fees Agency Fund and Cash Bond Agency Fund. The Fines and Fees Fund distributes monies collected on each case for state approved agencies. The Cash Bond Fund holds monies deposited by defendants until the defendant appears in court and a final disposition is determined on their case. The Court also holds surety bonds provided by bail bondsmen but does not maintain an account for the bonds. The Court has bond forfeiture proceeds but those amounts are not included in agency funds due to the nature of ownership in forfeiting a bond.

Any forfeiture amounts which can be determined to belong to the Court are listed on the statement of activities as bond forfeitures.

***Basis of accounting – Fund Financial Statements (FFS)*** – The amounts reflected in the Balance Sheet - Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (FFS), are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in these statements (FFS), use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The governmental funds use the following practices in recording revenues and expenditures:

***Revenues*** – Ticket fees, probation, building and maintenance fees, and bond forfeitures are recorded in the year in which they are earned. Interest income on investments is recorded when the investments have matured and the income is available. Substantially all other revenues are recorded when received.

***Expenditures*** – Expenditures are generally recorded under the modified accrual basis of accounting when the related fund liability is incurred.

## MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of accounting – Government-Wide Financial Statements (GWFS)** – The Statement of Net Position and the Statement of Activities (GWFS) display information about the Court as a whole. These statements include all the financial activities of the Court. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Codification.

**Program Revenues** – Program revenues included in the Statement of Activities are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from general revenues.

**Net Position Classifications** – In accordance with GASB Codification, net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows.

- a. *Net Investment in Capital Assets* – This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
- b. *Restricted* – This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – All other net position is reported in this category.

**Fund Balance** – The Court uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

## MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Court is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Court had no nonspendable funds for the year ended December 31, 2019.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Court to assess payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Court. Those committed amounts cannot be used for any other purpose unless the Court removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts. The Court had no committed funds for the year ended December 31, 2019.
- *Assigned* – This component consists of amounts that are constrained by the Court’s intent to be used for specific purposes, but are neither restricted nor committed. The Court had no assigned funds for the year ended December 31, 2019.
- *Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the fund.

***Budget practices*** – The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the Court Judges. The budget is legally adopted by the Court and all appropriations lapse at year end. For the Judicial Expense Fund, the Court has established a budget for service fees, court allocation of costs, and salaries. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. There were amendments to the budget in this fiscal year.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents** – Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**Capital assets** – Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Court maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Position. Since surplus assets are turned over to the City of New Orleans when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land which is non-depreciable, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Computers and software	3 years
Machinery and equipment	3 years
Furniture & fixtures	3 years
Vehicles	5 years
Leasehold Improvements	20 years

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

**Subsequent Events** - Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 23, 2020. See Note 8 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Future Accounting Pronouncements** - In January 2017, the GASB issued Statement No. 84 – Fiduciary Activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Court is currently assessing the impact of GASB 84 on the financial statements for the year ending December 31, 2020.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At December 31, 2019, the Court had cash in checking accounts and certificate of deposit accounts (book balances) totaling \$5,024,997. The deposits are stated at cost, which approximates market. Under state law, the 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. As of December 31, 2019, \$5,937,450 of securities was pledged by the fiscal agent bank to collateralize the Court's deposits. As of December 31, 2019, the Court's total bank balances were fully insured and collateralized with the securities held in the Name of the Court by the pledging financial institution's agency and, therefore, they were not exposed to custodial credit risk.

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits.

Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or with a trust company for the account of the political subdivision.

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court has a written policy for custodial credit risk. As of December 31, 2019, cash and certificates of deposit were adequately collateralized by securities held by an unaffiliated bank for the account of the Court. GASB considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Codification Section C20 *Cash Deposits with Financial Institutions*, Louisiana Revised Statute 39: 1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 3 – DUE FROM OTHERS**

Due from others consisted of the following at December 31, 2019:

Accounts receivables	\$	9,000
Due from Department of Public Safety		3,063
		\$ 12,063

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CAPITAL ASSETS**

A schedule of changes in capital assets follows:

	January 01, 2019	Additions	December 31, 2019
<b>Depreciable Assets:</b>			
Computers and software	\$ 793,257	\$ 6,000	\$ 799,257
Vehicles	28,900	-	28,900
Machinery and equipment	20,853	-	20,853
<b>Total Depreciable Assets</b>	<b>843,010</b>	<b>-</b>	<b>849,010</b>
<b>Accumulated Depreciation:</b>			
Computers and software	(690,076)	(55,333)	(745,410)
Vehicles	(28,900)	-	(28,900)
Machinery and equipment	(20,853)	-	(20,853)
<b>Total Accumulated Depreciation</b>	<b>(739,829)</b>	<b>(55,333)</b>	<b>(795,163)</b>
<b>Capital assets, net</b>	<b>\$ 103,180</b>	<b>\$ (55,333)</b>	<b>\$ 53,847</b>

Depreciation expense for the year ended December 31, 2019 was \$55,333.

**NOTE 5 – FACILITIES, FURNITURE, FIXTURES AND EQUIPMENT OWNED BY OTHER ENTITIES**

The City of New Orleans is required by LA RS 13:2509 to provide suitable facilities, rooms, furniture, equipment and supplies required for the proper functioning of the Court. Assets purchased or provided by the City are listed on the City's physical asset listing instead of the Court.

**NOTE 6 – LEASE COMMITMENTS**

The Court leases office equipment on a month to month basis.



**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS**

The City of New Orleans pays the salaries and benefits for the Court. The Court is not legally responsible for these salaries or the related benefits. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by the City. For the year ended December 31, 2019, these on-behalf payments have been recorded in the accompanying financial statements, in accordance with Governmental Accounting Standards Board Statement 24 - *Accounting And Financial Reporting For Certain Grants and Other Financial Assistance*, as intergovernmental revenues and expenditures as follows:

Judicial Expense Fund:		
Salaries	\$	4,277,034
Benefits		2,020,542
<hr/>		
Total on-behalf payments	\$	<b>6,297,576</b>

These expenditures are included in personnel services and related benefits expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance. The related revenues are included in the City revenues – on-behalf payments on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 23, 2020. The following events occurred.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Court. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



**Required Supplementary  
Information (Part II)**

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS**  
**BUDGETARY COMPARISON SCHEDULE - JUDICIAL EXPENSE FUND (GENERAL**  
**FUND)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actuals</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUE</b>				
City revenues - on-behalf payments	\$ 6,297,576	\$ 6,297,576	\$ 6,297,576	\$ -
JEF collections	1,500,000	1,400,000	1,382,432	(17,568)
Other income	108,600	108,600	115,523	6,923
<b>Total Revenue</b>	<b>7,906,176</b>	<b>7,806,176</b>	<b>7,795,531</b>	<b>(10,645)</b>
<b>EXPENDITURES</b>				
Salaries and benefits	6,297,576	6,297,576	6,297,576	-
Advertising expense	3,000	3,000	175	2,825
Bank service charges	16,000	16,000	12,605	3,395
Building and maintenance	25,000	25,000	7,465	17,535
Case/bond expense	10,000	-	-	-
Computer Equipment/ Maintenance	183,000	183,000	166,566	16,434
Dues and subscriptions	15,000	15,000	13,809	1,191
Employee testing	-	-	603	(603)
Insurance	75,000	50,000	27,369	22,631
Meetings and conferences	75,000	65,000	41,780	23,220
Miscellaneous	1,000	1,000	903	97
Office equipment	40,000	40,000	30,491	9,509
Office supplies	25,000	25,000	23,019	1,981
Parking	50,000	50,000	26,891	23,109
Postage and delivery/telephone	40,000	40,000	27,353	12,647
Printing and reproduction	20,000	20,000	21,680	(1,680)
Professional development	7,000	7,000	898	6,102
Accounting fees	40,000	35,000	33,500	1,500
Professional fees	399,111	399,111	420,197	(21,086)
Repairs and maintenance	10,000	10,000	155	9,845
Storage	35,000	35,000	26,737	8,263
Terminal leave	30,000	10,000	-	10,000
Uniforms	15,000	15,000	2,023	12,977
Witness fees	10,000	10,000	100	9,900
<b>Total Expenditures</b>	<b>7,421,687</b>	<b>7,351,687</b>	<b>7,181,895</b>	<b>169,792</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 484,489</b>	<b>\$ 454,489</b>	<b>\$ 613,636</b>	<b>\$ 159,147</b>
<b>FUND BALANCE - Beginning of year</b>	<b>3,129,219</b>	<b>3,129,219</b>	<b>3,129,219</b>	
<b>FUND BALANCE - End of year</b>	<b>\$ 3,613,708</b>	<b>\$ 3,583,708</b>	<b>\$ 3,742,855</b>	

*See independent auditors' report.*

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
BUDGETARY COMPARISON SCHEDULE - PROBATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actuals</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUE</b>				
Probation fees	\$ 125,000	\$ 125,000	\$ 129,583	\$ 4,583
Total revenue	125,000	125,000	129,583	4,583
<b>EXPENDITURES</b>				
Total expenditures	-	-	670	(670)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 125,000	\$ 125,000	\$ 128,913	\$ 3,913
<b>NET CHANGES IN FUND BALANCE</b>	-	-	128,913	
<b>FUND BALANCE - Beginning of year</b>	716,876	716,876	716,876	
<b>FUND BALANCE - End of year</b>	\$ 716,876	\$ 716,876	\$ 845,789	

See independent auditors' report.



**Other Supplementary  
Information**

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Agency Head Name: Judge Paul N. Sens**

	<b>Amount</b>
Salary	\$ 105,172
Benefits-health insurance	9,000
Benefits-retirement	16,134
Deferred compensation	-
Workers comp	300
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-Fica & Medicare	1,402
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	6,326
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
<b>Total</b>	<b>\$ 138,334</b>

*See independent auditor's report.*



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**INDEPENDENT AUDITORS' 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***

To the Honorable Judges en banc of  
Municipal and Traffic Court of New Orleans  
New Orleans, Louisiana

We have audited, in accordance with the 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, the financial statements of Municipal and Traffic Court of New Orleans (the Court), which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2019, and the related notes to financial statements, and have issued our report thereon dated September 23, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item **2019-001**, that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

## **Municipal and Traffic Court of New Orleans' Response to Findings**

The Court's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 Court'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 Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cary Riggs & Ingram, L.L.C.*

September 23, 2020  
New Orleans, LA



**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

We have audited the basic financial statements of Municipal and Traffic Court of New Orleans as of and for the year ended December 31, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2019 resulted in an unmodified opinion.

*Section I: Summary of Auditors' Report*

*a. Report on Internal Control and Compliance Material to the Financial Statements*

Internal Control:

Material Weaknesses x Yes  No

Significant Deficiencies  Yes x No

Compliance:

NonCompliance Material to Financial Statements  Yes x No

*b. Federal Awards*

There were no federal awards noted.

**SECTION II – DEFICIENCIES IDENTIFIED DURING THE AUDIT**

**2019-001 Material Weakness: Internal Control Over Financial Reporting**

*Criteria:* The entity should maintain proper backups and recovery testing of financial data and an appropriate Disaster Recovery Policy to ensure recovery is performed appropriately.

*Condition:* On December 13, 2019, the City of New Orleans suffered from a cyber-attack that shut down the IT system of the City that included the Court's system. The Court was unable to recover the financial data due to the absence of proper backups maintained by the City.

*Cause:* The Court in conjunction with the City of New Orleans did not maintain effective control over the backups and recovery process of the QuickBooks accounting system.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

*Effect:* The Court was forced to rebuild financial data from hard copy source documents which resulted in an increase in risk of material misstatement to the financial statements.

*Recommendation:* The Court should ensure that backups of the financial data are functioning by performing recovery testing over those backups.

**SECTION III – COMPLIANCE AND OTHER MATTERS**

None noted.

**MUNICIPAL AND TRAFFIC COURT OF NEW ORLEANS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**SECTION II – DEFICIENCIES IDENTIFIED DURING THE AUDIT**

None noted.

**SECTION III – COMPLIANCE AND OTHER MATTERS**

None noted.



# State of Louisiana

## Municipal and Traffic Court of New Orleans



727 SOUTH BROAD STREET  
NEW ORLEANS, LA 70119  
(504) 658-8500

HONORABLE SEAN P. EARLY  
JUDGE, DIVISION E  
ADMINISTRATIVE JUDGE

HONORABLE PAUL N. SENS  
JUDGE, DIVISION A

HONORABLE ROBERT E. JONES, III  
JUDGE, DIVISION B

HONORABLE MARK J. SHEA  
JUDGE, DIVISION D

HONORABLE JOSEPH B. LANDRY  
JUDGE, DIVISION F

HONORABLE STEVEN M. JUPITER  
JUDGE, DIVISION G

HONORABLE HERBERT A. CADE  
JUDGE, DIVISION H

EDWARD M. WALTERS  
JUDICIAL ADMINISTRATOR

CHRISTOPHER P. SENS  
CLERK OF COURT

Sep 23, 2020

To

Carr Riggs and Ingram CPAs  
111 Veterans Blvd #350  
Metairie, LA 70005

The following finding was made by the Auditors Carr Riggs and Ingram in our Audit Report for 2019:

**Material Weakness: Internal Control Over Financial Reporting**

**Criteria:** The entity should maintain proper backups and recovery testing of financial data and an appropriate Disaster Recovery Policy to ensure recovery is performed appropriately.

**Condition:** On December 13, 2019, the City of New Orleans suffered from a cyber-attack that shut down the IT system of the City that included the Court's system. The Court was unable to recover the financial data due to the absence of proper backups maintained by the City.

**Cause:** The Court in conjunction with the City of New Orleans did not maintain effective control over the backups and recovery process of the QuickBooks accounting system.

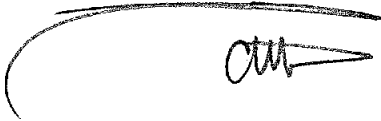
**Effect:** The Court was forced to rebuild financial data from hard copy source documents which resulted in an increase in risk of material misstatement to the financial statements.

**Recommendation:** The Court should ensure that backups of the financial data are functioning by performing recovery testing over those backups.

**MANAGEMENT RESPONSE:** The Municipal and Traffic Court of New Orleans relied on the City's resources to back up and maintain the financial data. After the failure to recover financial data after the

cyberattack, the Court has moved to the cloud hosting of the server by Intuit corporation. Automatic daily backups are performed by Intuit corporation. A full back up as of 9/1/2020 was performed and submitted to the Auditors for testing. The City has promised to provide us with a secure space where we can store additional backups. The Court is working on obtaining this space and intends to backup data there periodically.

Sincerely,

A handwritten signature in black ink, appearing to read "EMW", is positioned above a long, sweeping horizontal line that curves downwards at the left end.

Edward M. Walters  
Judicial Administrator