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COMPONENT UNIT FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

CITY COURT OF LAKE CHARLES,  
LOUISIANA, A COMPONENT UNIT OF  
THE CITY OF LAKE CHARLES, LOUISIANA

December 31, 1997

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewed, mailed and other appropriate public officials. The report is available for public inspection at the Doton House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: JUL 2 2 1998

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June 23, 1990

Honorable Thomas F. Quirk  
Honorable John E. Mead  
Judges of City Court of Lake Charles  
Lake Charles, Louisiana

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying component unit financial statements as listed in the table of contents of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 1987. These component unit financial statements are the responsibility of the City Court's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The component unit financial statements referred to above present fairly, in all material respects, the financial position of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of December 31, 1987, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Milford, Hilliard & Farrar*

City Council of Lake Charles, Louisiana, a Component Unit  
of the City of Lake Charles, Louisiana

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS**

December 31, 1997

ASSETS	Governmental Fund Type		Fiduciary Fund Type	Account Group	Total Memorandum Balyle
	General Fund	Special Revenues Fund	Agency Fund	General Fixed Assets	
Cash (notes A1)	\$ 314,955	\$ 175,331	\$ 229,408		\$ 719,694
Equipment (notes A2 & A4)				\$ 132,727	132,727
<b>TOTAL ASSETS</b>	<b>\$ 314,955</b>	<b>\$ 175,331</b>	<b>\$ 229,408</b>	<b>\$ 132,727</b>	<b>\$ 652,421</b>
<b>LIABILITIES</b>					
Retirement plan payable	\$ 930				\$ 930
Payroll taxes payable	1				1
Due to other agencies	2,277				2,277
Due to City of Lake Charles	7,388				7,388
Due to City Marshall	3,748				3,748
Due to Louisiana State	8,084				8,084
Fee collected for State Treasury Court	622				622
Due to Calcasieu Parish Police Jury	1,358				1,358
Deposits held for disposition of civil cases, claims			\$ 229,408		229,408
<b>TOTAL LIABILITIES</b>	<b>24,384</b>		<b>229,408</b>		<b>253,792</b>
<b>EQUITY</b>					
Investment in general fixed assets (notes A2 & A4)				\$ 132,727	132,727
Fund balance - unreserved and undesignated	50,651	175,331			225,982
<b>TOTAL EQUITY</b>	<b>50,651</b>	<b>175,331</b>		<b>132,727</b>	<b>358,709</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 314,955</b>	<b>\$ 175,331</b>	<b>\$ 229,408</b>	<b>\$ 132,727</b>	<b>\$ 652,421</b>

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, a Component Unit  
of the City of Lake Charles, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES

For the year ended December 31, 1997

	Governmental Fund Types		Total (Memorandum Only)
	General Fund	Special Revenue Fund	
<b>Revenues:</b>			
Court costs and fines	\$ 165,459		\$ 165,459
Miscellaneous income	342	\$ 4,839	5,181
Total revenues	165,801	4,839	170,640
<b>Other financing sources:</b>			
Operating transfers in (note D)	19,505	122,799	142,304
Total revenues and other financing sources	185,306	127,638	312,944
<b>Expenditures:</b>			
Current			
Accounting and legal	3,526		3,526
Advertising			
Confirment center (note A)	79,999		79,999
Donations and gifts	1,963		1,963
Fees and subscriptions	2,523		2,523
Equipment lease (note C)	3,451		3,451
Judicial and post services	668		668
Maintenance	714	6,228	6,942
Office supplies	3,113	2,493	5,606
Office expense	4,978	4,857	9,835
Payroll taxes	288		288
Publications	185		185
Retirement (note B)	10,488		10,488
Salaries	2,379	92,169	94,548
Travel and seminars	16,404		16,404
Capital outlay (note A) and A-1	17,823	5,489	23,312
Total expenditures	145,824	102,177	248,001
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	39,482	25,461	64,943
Fund balances at beginning of year	22,628	123,892	146,520
Fund balances at end of year	\$ 62,110	\$ 149,353	\$ 211,463

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, a Component Unit  
of the City of Lake Charles, Louisiana

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND FINANCING  
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended December 31, 1997

	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Miscellaneous income	\$ 7,301	\$ 6,939	\$ 362
Other financing sources:			
Operating transfers in Code 20	122,168	122,180	12
Total revenues and other financing sources	129,469	129,119	350
Expenditures:			
Current:			
Dues and subscriptions			
Maintenance	6,700	6,339	361
Office supplies	3,000	2,433	567
Office expense	3,043	4,857	(1,814)
Salaries	82,168	82,168	-
Travel and sundries	1,000		1,000
Capital outlay (codes 22 and 24)	3,000	3,362	(362)
Total expenditures	125,911	100,367	25,544
EXCESS OF AND OTHER FINANCING RESOURCES OVER EXPENDITURES	33,558	28,752	4,806
Fund balance at beginning of year	143,882	143,882	-
Fund balance at end of year	\$ 177,440	\$ 172,634	\$ 4,806

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, A Component Unit  
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies.

**1. Financial Reporting Entity**

This report includes all funds and account groups which are relevant to the operations of city court of lake charles, louisiana (City Court), a component unit of the City of Lake Charles, Louisiana. The City provides the facilities. However, the City Court is staffed by independently elected officials. As of March, 1998, the city assumed the responsibility for the general fund.

**2. Fund Accounting**

The accounts of the City Court are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and groups of accounts are used by the City Court:

**Governmental Fund Types**

**General Fund**

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

**Special Revenue Fund**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Fiduciary Fund Types**

**Agency Fund**

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

Continued

City Court of Lake Charles, Louisiana, A Component Unit  
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fixed Accounting - continued

General Fixed Assets Account Group

General Fixed Assets (GFA)

The General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for general purposes. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

3. Budgets

The City of Lake Charles approves a budget for the City Court General Fund. This budget includes all expenditures made by the City of Lake Charles and the General Fund with no separation between the two governmental agencies. There is not a separate budget available for the General Fund of the City Court of Lake Charles.

Formal budgetary integration is employed during the year for the special revenue fund and adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget amounts, shown in the financial statements, are the final authorized amounts as revised during the year.

4. Fixed Assets

Fixed assets are charged to the capital outlays expenditures account when purchased. Most of the fixed assets of the City Court of Lake Charles are included in the fixed asset records of the City of Lake Charles, although the Judges of the City Court have purchased a new computer system for the City Court and have decided to account for this equipment through City Court's General Fixed Assets Account Group.

In 1995 the City Court of Lake Charles agreed with the City of Lake Charles and the Ward Three Marshall to operate a Correctional Center for the City of Lake Charles. Effective November 1, 1995 the \$10 court cost being collected by the City Court is remitted to the Ward Three City Marshall, on a monthly basis, and is being used to pay all the operating expenses, except utilities, of the City of Lake Charles Correctional Center. The fixed assets of the Correctional Center are included in the fixed asset records of the City of Lake Charles and the operating cost is an expense of the City Court of Lake Charles.

Continued



City Court of Lake Charles, Louisiana, A Component Unit  
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. 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 be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Revenues from fines are not susceptible to accrual because generally they are not measurable until received in cash.

6. Cash

At December 31, 1997 the balances of the City Court's deposits for the General Fund, Special Revenue Fund, and Agency Fund were \$114,955, \$175,331 and \$209,408 respectively. The balances were fully insured by Federal Depository Insurance.

7. Total Column on Combined Statements - Overview

The total column on the combined statements are captioned "Memorandum only" indicating that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

The two City Court judges of the City Court of Lake Charles, Louisiana participate in the Louisiana State Employees Retirement System (SERS), a multiple employer, public employees retirement system (ERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. For the year ended December 31, 1997, the City Court's total payroll was \$94,947, and its payroll covered by the System was approximately \$82,148.

Both judges are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to 2.5% of their highest consecutive 36 months average salary multiplied by their years of credited service plus \$250 for employees hired before July 1, 1988. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Covered employees were required by state statute to contribute 11.64% of gross salary to the Plan. The City Court added a 14.04% contribution for the period January 1, 1997 through June 30, 1997 and a 15.84% contribution for the period July 1, 1997 through December 31, 1997.

Contribution requirements to the System are set by Statute and differ from the contribution requirement determined using actuarial methods. The amount of contributions made during the year ended June 30, 1997, from employees and employees was \$123,476,058 and \$191,440,587, respectively, for a total contribution of \$315,016,645.

The actuarially determined annual employer-contribution recommended by the System's actuary to cover normal cost for the year ended June 30, 1997, using the Projected Unit Credit cost method was approximately \$120,801,844.

The statutorily required contribution by the City Court for the year ended December 31, 1997, was \$17,783, which consisted of \$9,941 as the employer contribution and \$8,442 from the covered employees. The actual contribution made to the System by the Board was \$19,175, which consisted of \$11,499 as the employer contribution and \$8,676 as the employees' contributions.

Continued

City Court of Lake Charles, Louisiana, A Component Unit  
of the City of Lake Charles, Louisiana

NOTICE TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

**NOTE B - DEFINED BENEFIT PENSION PLAN - (CONTINUED)**

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits anticipated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PEOP and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. As of June 30, 1997, the pension benefit obligation is \$1,409,361,860 and the value of the System's assets is \$4,517,817,088 leaving an unfunded pension benefit obligation of \$1,351,444,690.

Two-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1997, Component Unit Financial Report. Benefits granted by the System are guaranteed by the State of Louisiana under the 1974 Louisiana Constitution.

**NOTE C - OPERATING LEASE**

City Court of Lake Charles currently leases a copy machine from LA Office Systems. Monthly payments for the year ended December 31, 1997 totaled \$3,451.

**NOTE D - OPERATING TRAFFIC**

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT MUST CONDUCTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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June 25, 1988

Honorable Thomas P. Quirk  
Honorable JOHN E. Hood  
Judges of City Court of Lake Charles  
Lake Charles, Louisiana

We have audited the component unit financial statements of City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 1987 and have issued our report thereon dated June 23, 1988.

We have conducted our audit in accordance with generally accepted auditing standards and 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 component unit financial statements are free of material misstatement.

In planning and performing our audit of the component unit financial statements of City Court of Lake Charles, Louisiana, for the year ended December 31, 1987, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure.

The management of City Court of Lake Charles, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

1. Cash receipts/revenues and receivables
2. Cash disbursements/expenditures
3. Payroll

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

Because of the entity's size, it is not feasible to segregate duties to achieve effective internal accounting control. Therefore, the audit was performed more efficiently by performing substantive tests so no reliance was placed on internal control.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above is a material weakness.

This report is intended for the information of management and the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Millard, Pittman & Thayer*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
LAW AND REGULATIONS BASED ON AN ASSESS OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

**Milford, Hilliard & Farrar**

MEMPHIS, TENNESSEE

MEMPHIS, TENNESSEE  
FEBRUARY 15, 1998  
ISSUED BY THE OFFICE OF THE

OFFICE OF THE ATTORNEY GENERAL  
STATE OF MISSISSIPPI  
MEMPHIS, TENNESSEE

June 23, 1998

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

We have audited the component unit financial statements of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated June 23, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the City Court of Lake Charles, Louisiana, is the responsibility of the City Court of Lake Charles, Louisiana, management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the City Court compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City Court of Lake Charles, Louisiana, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City Court had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the State of Louisiana legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Milford, Hilliard & Farrar*