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**NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND**

BATON ROUGE, LOUISIANA

JUNE 30, 2004

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 2-2-05

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TABLE OF CONTENTS

Independent auditor's report		i - ii
Required supplementary information:		
Management's discussion and analysis		1 - 7
Basic financial statements:		
<u>Statements</u>		
	<i>Government-wide financial statements:</i>	
1	Statement of net assets	9
2	Statement of activities	10
	<i>Fund financial statements:</i>	
3	Balance sheet - governmental funds	11 - 12
4	Statement of revenues, expenditures, and changes in fund balances – governmental funds	13 - 14
	Notes to basic financial statements	15 - 26
Required supplementary information:		
<u>Exhibits</u>		
1	Budgetary comparison schedule – general fund	28 - 29
2	Budgetary comparison schedule – Commissioners' fund	30
3	Budgetary comparison schedule – indigent transcript fund	31
	Notes to required supplementary information on budgetary accounting and control	32 - 33
Independent auditor's report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>		34 - 35
Schedule of findings and questioned costs		36 - 37
Management's corrective action plan		38
Schedule of corrective action taken on prior year findings		39 - 40

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INDEPENDENT AUDITOR'S REPORT

Honorable Judges of the
Nineteenth Judicial District Court

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court - Judicial Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Judicial Expense Fund's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Judicial Expense Fund'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 financial statements are free of *material misstatement*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court - Judicial Expense Fund as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004 on our consideration of the Nineteenth Judicial District Court - Judicial Expense Fund'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.

Management's Discussion and Analysis and the budgetary comparison information on pages 1 – 7 and 28 – 33, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


November 18, 2004

REQUIRED SUPPLEMENTARY INFORMATION



NINETEENTH JUDICIAL DISTRICT

EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA 70802

JO BRUCE
JUDICIAL ADMINISTRATOR

TELEPHONE: (225) 389-4744
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Nineteenth Judicial District Court – Judicial Expense Fund (the JEF) provides an overview of the JEF's activities for the year ended June 30, 2004. Please read it in conjunction with the JEF's financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- The JEF's net assets decreased by approximately \$268,000 or 164 percent.
- During the year, the JEF expenses of \$3.2 million exceeded the revenues generated for governmental programs of \$2.9 million. Last year expenses exceeded revenues by \$323,000.
- Total cost of all the JEF's programs stayed relatively the same, at \$3.2 million. The standstill is attributed to an overall effort to reduce program expenses for the entire court system.
- The general fund reported a deficit this year of approximately \$278,000. This is an improvement over last year's deficit of \$528,000.
- The resources available for appropriation were \$110,000 more than amounts originally budgeted for the general fund. Expenditures were \$256,000 more than the original budget. The original budget was amended to accommodate a new law requiring the Court to collect and pay for criminal juror compensation. In the past, the City of Baton Rouge was responsible for these payments. The Court increased criminal court fees to fund this new expenditure.

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 9-10) provide information about the activities of the JEF as a whole and present a longer-term view of the JEF's finances. Fund financial statements (on pages 11 – 14) tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the JEF's operations in more detail than the government-wide statements by also providing information about both of the JEF governmental funds.

Reporting the JEF as a Whole

Our analysis of the JEF as a whole begins on page 9. One of the most important questions asked about the JEF's finances is, "Is the JEF as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the JEF as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the JEF's net assets and changes in them. You can think of the JEF's net assets—the difference between assets and liabilities—as one way to measure the JEF's financial health, or financial position. Over time, increases or decreases in the JEF's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as number of cases handled by District Court as well as the number of judgeships approved by the State Legislature and the State's economic condition to better assess the overall health of the JEF.

Currently, the JEF has only governmental activities that provide for personnel, equipment, supplies and other costs related to the proper administration of District Court. Primarily, court costs and fines finance these activities.

Reporting the JEF's Funds

Our analysis of the JEF's funds begins on page 11. The fund financial statements provide detailed information about the JEF's funds—not the JEF as a whole. In addition to accounting for the fees for court costs and fines and other revenues that finance activities of District Court, the JEF also accounts for the appropriation received from the Louisiana Supreme Court to administer the Commissioners' offices. Fees collected for the preparation of transcripts for indigent defenders are maintained in a separate special revenue fund in accordance with LA R. S. 13:965. The General Fund, the Commissioners' Fund, and the Indigent Transcript Fund are governmental funds that focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures only cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the JEF's operations and the services it provides. Governmental fund information helps you determine the amount of financial resources available to be spent in the near future to finance the JEF's programs. 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 following the fund financial statements.

THE JEF AS A WHOLE

The JEF's net assets decreased by approximately \$268,000 from \$164,000 to a deficit of \$104,000, because the JEF's portion of payroll expenses are increasing faster than offsetting reimbursements from the City-Parish.

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the JEF's governmental activities.

Table 1
Net Assets

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Current and other assets	\$ 703,377	\$ 680,801	\$ 22,576	3 %
Capital assets	<u>229,325</u>	<u>266,206</u>	<u>(36,881)</u>	(14) %
Total assets	<u>932,702</u>	<u>947,007</u>	<u>(14,305)</u>	(2) %
Current liabilities	416,556	182,573	233,983	128 %
Accrued compensated absences	<u>620,496</u>	<u>601,033</u>	<u>19,463</u>	3 %
Total liabilities	<u>1,037,052</u>	<u>783,606</u>	<u>253,446</u>	32 %
Net assets (deficit):				
Invested in capital assets	229,325	266,206	(36,881)	(14) %
Unrestricted	<u>(333,675)</u>	<u>(102,805)</u>	<u>(230,870)</u>	225 %
Total net assets (deficit)	<u>\$ (104,350)</u>	<u>\$ 163,401</u>	<u>\$ (267,751)</u>	(164) %

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by other legal restrictions – decreased by almost \$231,000, to a deficit of \$334,000, at the end of this year.

The JEF's total revenues increased by two percent or \$59,000. The total cost of all programs and services increased by \$3,000. The JEF has eliminated several personnel positions due to lack of adequate funding for personal services and the continuous increase in employment and post-employment benefits, including health, dental and retirement benefits.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is provided. Of particular interest is its format that is significantly different than that of the typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net Revenue/(Expense). The reason for this kind of format is to highlight the relative financial burden of each of the governmental functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Fees in the form of court costs and fines represent the majority of the revenues reported for the District Court function.

Table 2
Changes in Net Assets

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Revenues				
Fees and fines	\$1,950,172	\$1,905,870	\$ 44,302	2 %
Intergovernmental	711,698	655,653	56,045	9
Charges for services	221,002	253,811	(32,809)	(13)
Interest	8,115	16,164	(8,049)	(50)
Other	1,245	1,981	(736)	(37)
Total revenues	<u>2,892,232</u>	<u>2,833,479</u>	<u>58,753</u>	<u>2</u>
Program expenses				
District Court	2,828,090	2,818,146	9,944	0
Commissioners'	331,893	338,464	(6,571)	(2)
Total expenses	<u>3,159,983</u>	<u>3,156,610</u>	<u>3,373</u>	<u>0</u>
Decrease in net assets	<u>\$ (267,751)</u>	<u>\$ (323,131)</u>	<u>\$ 55,380</u>	<u>(17) %</u>

THE JEF'S FUNDS

As the JEF completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$207,000, which is \$206,000 less than last year's total of \$413,000. Included in the year's total change in fund balance, is a deficit of \$278,000 in the General Fund. The primary reason for this deficit is the continued granting of merit and longevity increases to Court employees without the appropriate funding being granted by the City of Baton Rouge.

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to the prior year.

Total revenues experienced a two percent increase this year. Total expenditures decreased by \$82,000 or three percent this year. The decrease is attributed to an overall effort to reduce program expenses for the entire court system and a slight reduction in personnel.

Table 3
General Fund Revenues and Expenditures

	2004		2003	
	Amount	Percent of Total	Amount	Percent of Total
Revenues				
Fees and fines	\$1,781,180	74 %	\$1,755,521	74 %
Intergovernmental	401,149	17	361,785	15
Charges for services	226,644	9	234,032	10
Interest	8,115	-	16,164	1
Other	1,245	-	1,981	-
Total revenues	<u>2,418,333</u>	<u>100</u>	<u>2,369,483</u>	<u>100</u>
Expenditures				
District Court	2,766,303	115	2,679,213	112
Capital outlay	5,994	-	174,730	7
Total expenditures	<u>2,772,297</u>	<u>115</u>	<u>2,853,943</u>	<u>119</u>
Deficiency of revenues over expenditures before transfers	(353,964)	(15)	(484,460)	(19)
Transfers	76,268	3	(43,818)	(2)
Deficiency of revenues over expenditures after transfers	<u>\$ (277,696)</u>	<u>(12) %</u>	<u>\$ (528,278)</u>	<u>(21) %</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget was revised one time. This budget amendment was an increase to appropriations to reflect (1) the increased collection of juror fees, (2) changes in projected operating expenses and (3) criminal juror compensation payments.

Actual revenues exceeded the original budgeted revenues by \$110,000. The original budget was prepared before the Louisiana Supreme Court determined the appropriation for Drug Court. Actual expenditures exceeded the original budget by \$256,000. Equipment repair and maintenance expenditures were made rather than use funds for capital outlay. The original budget did not include any amount for payroll taxes and retirement benefits, but was amended for these additional expenditures when it was determined that funds for the taxes and benefits would not be fully covered by the City-Parish appropriation.

The actual general fund revenues exceeded the final budget by \$40,000. Actual general fund expenditures exceeded the final budget by \$28,000.

As shown in the budget comparison, the Commissioners' fund was subsidized by the JEF for \$14,200, one-third less than last year's subsidy of \$44,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the JEF had over \$861,000 invested in capital assets including computer equipment and office renovations. (See Table 4 below.) This represents a net increase of \$6,000 from last year.

Table 4
Capital Assets at Year-end

	<u>2004</u>	<u>2003</u>
Computer equipment, including software	\$ 383,926	\$ 377,932
Other office equipment	316,214	316,214
Furniture and fixtures	78,100	78,100
Office renovations	<u>82,822</u>	<u>82,822</u>
Totals	<u>\$ 861,062</u>	<u>\$ 855,068</u>

Debt

At year-end, the JEF had approximately \$682,000 estimated for accrued compensated absences that represents the future liability for vacation earned but not used by District Court employees. That is an increase of four percent from last year. (See Table 5 below.)

Table 5
Outstanding Debt at Year-end

	<u>2004</u>	<u>2003</u>
Accrued compensated absences	<u>\$ 681,864</u>	<u>\$ 653,297</u>

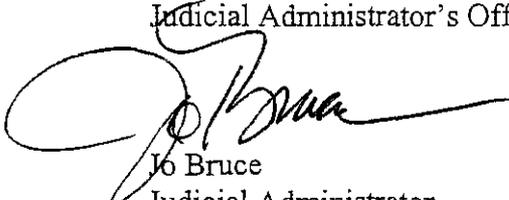
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City-Parish of East Baton Rouge funds most of the District Court operations. The annual budget adopted by the City-Parish for 2005 increased \$104,570 from its prior year appropriation. Our budget appropriation fell short by \$214,000. Ninety-seven percent of the City-Parish appropriation will fund personal services, which did not include any appropriation for merit, longevity, or benefit increases. The Court intends to have a hearing with the Metro Council to revisit the 2005 budget

before the new year begins. Meanwhile, the Judicial Expense Fund may be forced to liquidate its remaining certificates of deposit, totaling \$270,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the JEF's finances and to show the JEF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Judicial Administrator's Office at 222 St. Louis Street, Suite 733, Baton Rouge, Louisiana.



Jo Bruce
Judicial Administrator

BASIC FINANCIAL STATEMENTS

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF NET ASSETS**

June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash, including time deposits	\$ 399,764
Accounts receivable (net)	92,873
Receivable from other governments	<u>210,740</u>
Total current assets	703,377
Noncurrent assets:	
Capital assets, net of depreciation	<u>229,325</u>
Total assets	<u>932,702</u>
LIABILITIES	
Current liabilities:	
Accounts payable	88,438
Advance from City-Parish	266,750
Accrued compensated absences	<u>61,368</u>
Total current liabilities	416,556
Noncurrent liabilities:	
Accrued compensated absences	<u>620,496</u>
Total liabilities	<u>1,037,052</u>
NET ASSETS (DEFICIT)	
Invested in capital assets	229,325
Unrestricted	<u>(333,675)</u>
Total net assets (deficit)	<u>\$ (104,350)</u>

See accompanying notes to the basic financial statements.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
STATEMENT OF ACTIVITIES**

Year ended June 30, 2004

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense)</u>
Functions/Programs					
Governmental activities:					
District Court	\$ 2,828,090	\$ 2,171,174	\$ 18,649	\$ -	\$ (638,267)
Commissioners'	331,893	-	-	-	(331,893)
Total governmental activities	<u>\$ 3,159,983</u>	<u>\$ 2,171,174</u>	<u>\$ 18,649</u>	<u>\$ -</u>	<u>\$(970,160)</u>
General revenues:					
Intergovernmental					693,049
Interest					8,115
Other					<u>1,245</u>
Total general revenues					<u>702,409</u>
Change in net assets					(267,751)
Net assets - beginning of year					<u>163,401</u>
Net assets - end of year					<u>\$ (104,350)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash, including time deposits	\$ 399,764	\$ -	\$ -	\$ 399,764
Accounts receivable (net)	13,351	-	-	13,351
Receivable from other governments	195,821	-	14,919	210,740
Due from other funds	-	4,952	90,753	95,705
Total assets and other debits	<u>\$ 608,936</u>	<u>\$ 4,952</u>	<u>\$ 105,672</u>	<u>\$ 719,560</u>
LIABILITIES				
Accounts payable	\$ 74,639	\$ 4,952	\$ 8,847	\$ 88,438
Advance from City-Parish	266,750	-	-	266,750
Due to other funds	95,705	-	-	95,705
Accrued compensated absences	61,368	-	-	61,368
Total liabilities	<u>498,462</u>	<u>4,952</u>	<u>8,847</u>	<u>512,261</u>
FUND BALANCES				
Unreserved, reported in				
General fund	110,474	-	-	110,474
Special revenue funds	-	-	96,825	96,825
Total fund balances	<u>110,474</u>	<u>-</u>	<u>96,825</u>	<u>207,299</u>
Total liabilities and fund balances	<u>\$ 608,936</u>	<u>\$ 4,952</u>	<u>\$ 105,672</u>	<u>\$ 719,560</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total governmental fund balances	\$ 207,299
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	229,325
Receivables that are not available to pay current-period expenditures and therefore are not reported in the funds.	79,522
Long-term liabilities (accrued compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(620,496)</u>
Net assets of governmental activities	<u>\$ (104,350)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year ended June 30, 2004

	General Fund	Commissioners' Fund	Other Funds	Total Governmental Funds
REVENUES				
Fees and fines	\$ 1,781,180	\$ -	\$ 168,992	\$ 1,950,172
Intergovernmental	401,149	310,549	-	711,698
Charges for services	226,644	-	-	226,644
Interest	8,115	-	-	8,115
Other	1,245	-	-	1,245
Total revenues	<u>2,418,333</u>	<u>310,549</u>	<u>168,992</u>	<u>2,897,874</u>
EXPENDITURES				
Current operations:				
District Court	2,766,303	-	-	2,766,303
Commissioners'	-	331,344	-	331,344
Capital expenditures	5,994	-	-	5,994
Total expenditures	<u>2,772,297</u>	<u>331,344</u>	<u>-</u>	<u>3,103,641</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	97,063	20,795	-	117,858
Operating transfers out	(20,795)	-	(97,063)	(117,858)
	<u>76,268</u>	<u>20,795</u>	<u>(97,063)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPEN- DITURES AND OTHER USES				
	<u>(277,696)</u>	<u>-</u>	<u>71,929</u>	<u>(205,767)</u>
Fund balances - beginning of year	<u>388,170</u>	<u>-</u>	<u>24,896</u>	<u>413,066</u>
Fund balances - end of year	<u>\$ 110,474</u>	<u>\$ -</u>	<u>\$ 96,825</u>	<u>\$ 207,299</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Net change in fund balances - total governmental funds	\$ (205,767)
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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(36,880)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(5,641)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(19,463)</u>
Change in net assets of governmental activities	<u>\$ (267,751)</u>

See accompanying notes to the basic financial statements.

NINETEENTH JUDICIAL DISTRICT COURT
JUDICIAL EXPENSE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Judicial Expense Fund complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

Financial reporting entity

The Nineteenth Judicial District Court Expense Fund was established by a legislative act effective June 30, 1969. The act provides for the collection of fees in the form of court costs and fines, and provides for court reporters and such secretarial, clerical, research, administrative or other personnel as are deemed necessary to expedite the business and functions of the court. The Fund may also be used to pay for establishing and maintaining a law library, equipment, supplies and any other costs or expenses related to the proper administration of the court, except for the payment of judges' salaries.

The offices of Commissioner of the Nineteenth Judicial District Court were created by legislative act that provides for the appointment of two commissioners whose duties are assigned by the Chief Judge. These duties include hearing and making recommendations on criminal and civil proceedings arising out of the incarceration of state prisoners. The State of Louisiana appropriates funds for equipment, supplies, and the salaries and related benefits for employees of the Commissioners.

As the governing authority of the consolidated government, the City of Baton Rouge, Parish of East Baton Rouge (City-Parish) is the financial reporting entity for the consolidated government. The financial reporting entity consists of the primary government (City-Parish), and includes all component units of which the City-Parish appoints a voting majority of the units' board; the City-Parish is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The Judicial Expense Fund is part of the operations of the district court system that is fiscally dependent on the City-Parish. The City-Parish provides directly to the court office space, courtrooms, personal services, and other supplies and services. The nature of the relationship between the Judicial Expense Fund and the district court and the City-Parish is significant. Therefore, the Judicial Expense Fund was determined to be a component unit of the City of Baton Rouge, Parish of East Baton Rouge, the financial reporting entity. The accompanying

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial statements present information only on the Judicial Expense Fund maintained by the Nineteenth Judicial District Court and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

Basis of presentation

Government-wide financial statements – The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund financial statements – The financial transactions of the Judicial Expense Fund are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

The Judicial Expense Fund uses the governmental fund type. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The funds of the Judicial Expense Fund are described as follows:

General fund - The general fund is the general operating fund and accounts for all activities of the Judicial Expense Fund except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Measurement focus and basis of accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement focus – The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. All governmental funds utilize a current financial resources measurement focus in the fund financial statements. Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting - The government-wide financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when “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. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Financial statement amounts

Cash, including time deposits – “Cash, including time deposits” includes all demand deposits, savings accounts and certificates of deposit of the Judicial Expense Fund.

Interfund receivables and payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” *Interfund receivables and payables are eliminated in the Statement of Net Assets. Details of interfund receivables and payables at year end are found in Note L.*

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include amounts due from the Clerk of Court and attorneys for transcript charges.

Receivables are included in the fund financial statements if they are both measurable and available. Revenues are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Additions, improvement 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 computed on the straight-line basis over the following estimated useful lives:

Computer equipment, including software	5 – 10 years
Other office equipment	5 – 10 years
Furniture and fixtures	10 – 20 years
Office renovations	10 – 20 years

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition. Capital assets reported herein include only those assets purchased by the Judicial Expense Fund and do not reflect assets of the court obtained from other sources.

Revenues

Substantially all government fund revenues are accrued. Those revenues include filing and license fees, fines, and court costs collected by other agencies and remitted to the Judicial Expense Fund in the following month, as well as, amounts due under grant contracts, interest and dividend revenue, transcript charges to attorneys, and drug enforcement forfeitures collected by the District Attorney and paid annually or upon request. As a grant recipient, grant receivables and revenue are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Compensated absences

The annual and sick leave plan adopted by the JEF allows a maximum accumulation of 60 days of vacation leave. Certain employees hired before the current annual and sick leave plan was adopted can accumulate more than the 60 days maximum allowed under the current plan. Upon termination, employees are paid for the unused vacation leave. Sick leave is allowed to accrue and accumulate. However, such sick leave benefits are payable only upon absence from work for medical reasons. Upon termination, accumulated sick leave lapses, and no payments are made for the unused accumulations.

Certain employees of District Court may accrue up to 30 days of compensatory time in lieu of overtime payment. The Judicial Expense Fund pays compensatory leave up to the maximum accrual amounts upon termination, resignation, retirement or death. Whenever an employee exceeds the maximum accrual amounts, the excess is paid to the employee during the following month.

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Judicial Expense Fund records a liability for 100% of the accrued vacation and compensatory time for each employee up to the respective maximums at the employees' current rate of pay. Additionally, applicable social security and Medicare costs are added to the accrued leave as computed above.

GASB Statement No. 16 requires the accrual for sick leave if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. Since the amount of accumulated sick leave lapses upon termination, no amount has been accrued.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts shown in the accompanying financial statements for accrued compensated absences represent the liability for all employees of the District Court except the judges and the commissioners.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. All transfers between individual governmental funds have been eliminated on the statement of activities.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates 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 expenditures during the reporting period. Actual results could differ from those estimates.

B: CASH AND INVESTMENTS

Cash includes amounts in demand deposits and time deposits. Under state law, the Judicial Expense Fund 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.

At June 30, 2004, the Judicial Expense Fund had cash (book balances) as follows:

Interest bearing demand deposits	\$ 129,674
Time deposits (certificates of deposit)	<u>270,000</u>
	<u>\$ 399,674</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 pledged securities plus the federal deposit insurance must at all times equal 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. 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 Judicial Expense Fund that the fiscal agent has failed to pay deposited funds upon demand.

B: CASH AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Judicial Expense Fund's deposits may not be returned to it. The Judicial Expense Fund does not have a deposit policy for custodial credit risk. As of June 30, 2004, \$449,091 of the Judicial Expense Fund's bank balance of \$549,091 was exposed to custodial credit risk as follows:

Uninsured and collateral held by fiscal agent bank's trust department not in the Judicial Expense Fund's name	\$ <u>449,091</u>
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C: ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists mostly of amounts due from the Clerk of Court and attorneys for transcript charges. Detail of the receivables at June 30, 2004 is as follows:

Transcripts	\$ 102,005
Less allowance for doubtful accounts	<u>15,815</u>
	86,190
Other receivables	<u>6,683</u>
Accounts receivable (net)	\$ <u>92,873</u>

The allowance for doubtful accounts was established based on historical trends and other information. At June 30, 2004, \$99,165 of the transcripts receivable were past due ninety days or more.

D: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables due to the general fund at June 30, 2004 are as follows:

East Baton Rouge Parish Sheriff	\$ 161,912
East Baton Rouge Clerk of Court	8,382
City-Parish of East Baton Rouge	300
Louisiana Department of Public Safety	488
Louisiana Commission on Law Enforcement	2,000
Louisiana Department of Revenue	4,341
Louisiana Supreme Court	<u>33,317</u>
	\$ <u>210,740</u>

E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Computer equipment, including software	\$ 377,932	\$ 5,994	\$ -	\$ 383,926
Other office equipment	316,214	-	-	316,214
Furniture and fixtures	78,100	-	-	78,100
Office renovations	82,822	-	-	82,822
Totals at historical cost	<u>855,068</u>	<u>5,994</u>	<u>-</u>	<u>861,062</u>
Less accumulated depreciation				
Computer equipment, including software	336,783	13,630	-	350,413
Other office equipment	135,673	22,836	-	158,509
Furniture and fixtures	51,403	3,006	-	54,409
Office renovations	65,003	3,403	-	68,406
Totals at historical cost	<u>588,862</u>	<u>42,875</u>	<u>-</u>	<u>631,737</u>
Capital assets, net	<u>\$ 266,206</u>	<u>\$ (36,881)</u>	<u>\$ -</u>	<u>\$ 229,325</u>

Depreciation expense was charged to governmental activities as follows:

District Court	\$ 42,326
Commissioners'	549
	<u>\$ 42,875</u>

F: LONG-TERM DEBT

As of June 30, 2004, the governmental long-term debt consisted of the following:

Accrued compensated absences:	
Current portion	\$ 61,368
Non-current portion	<u>620,496</u>
Total governmental activity debt	<u>\$ 681,864</u>

F: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due within One Year
Accrued Compensated Absences	\$ 653,297	\$ 28,567	\$ -	\$ 681,864	\$ 61,368

G: SALARY EXPENDITURES

The Judicial Expense Fund administers the payroll for all District Court employees excluding the judges and the commissioners. The Parish of East Baton Rouge reimburses the fund for those salaries disbursed by the fund but appropriated in the City-Parish budget.

Also, the Clerk of Court reimburses the Fund for a portion of the salary of an employee who works for both the Nineteenth Judicial District Court and the East Baton Rouge Parish Clerk of Court. The amounts included in the accompanying financial statements are the actual salary expenditures of the Judicial Expense Fund and do not include any amounts for salaries reimbursed by either the City-Parish or the Clerk of Court.

H: PENSION PLANS

Louisiana State Employees Retirement System

Plan Description. The employees of the Commissioners' offices, whose salaries are paid from an appropriation from the State of Louisiana, are members of the Louisiana State Employees Retirement System ("System"), a public employee retirement system (PERS). 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. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System was established and provided for within Title 11 Chapter 401 of the Louisiana Revised Statutes (LRS). The Louisiana State Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Louisiana State Employees Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling 1-800-256-3000.

Funding Policy. Plan members are required by state statute to contribute 7.5% of gross salary to which the Commissioners' offices adds a 13% contribution as an employer's match. The contribution requirements of plan members and the Commissioners' offices are established and may be amended by the System's Board of Trustees. The Commissioners' offices statutory and actual contributions for the years ending June 30, 2004, 2003, and 2002 were \$52,732, \$42,996, and \$23,221, respectively.

H: PENSION PLANS (Continued)

Louisiana Clerks of Court Retirement and Relief Fund

Plan Description. Other court employees, whose salaries are expenditures of the Judicial Expense Fund are members of the Louisiana Clerks of Court Retirement and Relief Fund (Fund), multiple-employer, cost sharing public employee retirement system, controlled and administered by a separate Board of Trustees. The Fund provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, Louisiana 70816, or by calling 225-293-1162.

Funding Policy. Plan members are required by state statute to contribute 8.25% of their annual covered salary and the Nineteenth Judicial District Court is required to contribute at an actuarially determined rate. The current rate is 10% of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the Nineteenth Judicial District Court are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The *Nineteenth Judicial District Court's contributions to the System for the years ending June 30, 2004, 2003, and 2002 were \$175,609, \$30,988, and \$34,784, respectively, which were equal to the required contributions for each year.*

I: OTHER POSTEMPLOYMENT BENEFITS

District Court Employees

In addition to the pension benefits described in Note H, the City-Parish provides post retirement health care benefits. Employees are eligible to continue participation in the health, dental and life insurance programs upon retirement.

Health and dental benefits

Employees may at their option participate in the group health and dental insurance programs. Upon retirement the employee may continue coverage paying the same premiums and receiving the same benefits as active employees. Retirees may continue coverage in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972.

During 2003, the premium plan was funded with employees and retirees contributing 25% - 38% of the premium and the City-Parish contributing 75% - 62% of the premium, dependent upon the number of family members covered. Effective January 1, 2003, the current costs of these premiums were allocated over all employers and funds that participate in the health and dental self-insurance programs.

I: OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Judicial Expense Fund does not recognize expenditures for the employer portion of these benefits since they are provided by the City-Parish.

Life insurance benefits

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all employees who retire after May 1, 1976 have \$3,000 of term life insurance coverage. The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account.

The Judicial Expense Fund does not recognize expenditures for these life insurance benefits since they are provided by the City-Parish.

Commissioners' Office Employees

In addition to the pension benefits described in Note H, the State of Louisiana provides post-retirement health care benefits. LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the commissioners' office to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the commissioners' employees become eligible for those benefits if they reach normal retirement age while working for the commissioners' office. Monthly premiums are paid jointly by the employees and the employer (from the commissioners' office appropriation) for active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMO's authorized by Group Benefits.

The Judicial Expense Fund does not recognize expenditures for these benefits since they will be included in the annual appropriation from the State of Louisiana.

J: OPERATING LEASES

The Court leases various office equipment under agreements that are classified as operating leases. Most of these leases can be extended on a month-to-month basis until either the Court returns the equipment to the lessor or the lessor terminates the lease by written notice. In most cases, the leases are extended or replaced by other leases. The Court does not have any operating leases with scheduled rent increases. Operating lease payments during 2003 totaled \$16,862.

K: INTERFUND TRANSACTIONS

The following is a summary of amounts due from and due to other funds at June 30, 2004:

	Due to:			Total
	Commis- sioners' Fund	Indigent Transcript Fund	Drug Treatment Fund	
<u>Due from:</u>				
General fund	\$ 4,952	\$ 90,418	\$ 335	\$ 95,705

Outstanding balances between funds reported as “due to/due from other funds” includes charges by one fund to another for services and/or goods outstanding at year end and are expected to be settled within the next year.

The operating transfers in or out during the year ended June 30, 2004 are as follows:

	Transfers to:		
	General Fund	Commis- sioners' Fund	Total
<u>Transfers from:</u>			
General fund	\$ -	\$ 20,795	\$ 20,795
Special revenue funds:			
Indigent transcript fund	97,063	-	\$ 97,063
	\$ 97,063	\$ 20,795	

Transfers are substantially for the purposes of subsidizing operating functions. Court reporters are paid from the general fund, and the indigent transcript fund reimburses the general fund whenever the transcript is categorized as “indigent.” Whenever expenditures for the Commissioners’ offices exceed the state appropriation, the general fund covers the excess.

L: CONCENTRATIONS OF CREDIT RISK

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies and the State of Louisiana. The majority of the other receivables are due from Louisiana attorneys who practice before the court. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish and the State of Louisiana.

Certain operating expenditures of the district court are paid by the City-Parish and are not included in the accompanying financial statements. The City-Parish has a calendar year end, and

L: CONCENTRATIONS OF CREDIT RISK (Continued)

the expenditures for the operation of the district court for the year ended December 31, 2003 are summarized as follows:

Personal services	\$ 2,797,136
Group benefits	1,113,015
Supplies	181,174
Contractural services	101,346
Capital outlay	-
	<u>\$ 4,192,671</u>

M: REQUIRED INDIVIDUAL FUND DISCLOSURES

The General Fund had a deficiency of revenues and other sources over expenditures and other uses of \$277,696. The General Fund had a beginning fund balance of \$388,170 that was sufficient to cover the current period deficiency.

REQUIRED SUPPLEMENTARY INFORMATION

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance - July 1, 2003	<u>\$ 1,168,945</u>	<u>\$ 388,170</u>	<u>\$ 407,254</u>	<u>\$ 19,084</u>
Resources (inflows):				
Fees and fines:				
Clerk of Court - civil and probate filing fees	213,000	213,000	216,725	3,725
East Baton Rouge Parish Sheriff:				
Court costs	173,000	173,000	178,439	5,439
Court defrayment costs	550,000	550,000	565,554	15,554
Bail bond forfeitures	110,000	110,000	63,787	(46,213)
Fines	502,000	572,000	492,124	(79,876)
East Baton Rouge District Attorney:				
Drug enforcement forfeitures	30,000	30,000	44,288	14,288
Bail bond license fees	200,000	200,000	190,200	(9,800)
Louisiana Department of Public Safety - license fees	9,000	9,000	7,500	(1,500)
Intergovernmental:				
Louisiana Commission on Law Enforcement, pass-through grants	-	-	16,649	16,649
Louisiana Supreme Court:				
Drug court appropriation	337,500	337,500	377,380	39,880
Charges for services:				
Transcript charges to attorneys	185,000	185,000	195,908	10,908
Program fees	41,000	41,000	33,588	(7,412)
Copy charges for probable cause affidavits	500	500	198	(302)
Interest	16,100	16,100	8,059	(8,041)
Other	8,000	8,000	1,245	(6,755)
Transfer from Indigent Transcript Fund	-	-	93,442	93,442
Amounts available for appropriation	<u>2,375,100</u>	<u>2,445,100</u>	<u>2,485,086</u>	<u>39,986</u>

Continued

Exhibit 1 (Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
District Court:				
Personal services:				
Salaries	\$ 1,261,000	\$ 1,261,000	\$ 1,068,091	\$ 192,909
Transcript services	-	-	183,115	(183,115)
Group benefits:				
Payroll taxes	-	-	46,451	(46,451)
Retirement	-	-	175,610	(175,610)
Supplies:				
Office supplies	53,800	106,800	123,633	(16,833)
Computer supplies	12,500	12,500	11,600	900
Drug screen lab supplies	120,000	120,000	86,713	33,287
Dues and subscriptions	43,500	43,500	82,105	(38,605)
Other	26,000	26,000	8,165	17,835
Contractual services:				
Legal and other professional fees	3,500	72,000	82,640	(10,640)
Drug treatment services	397,000	397,000	317,858	79,142
Surety bonds	1,500	3,800	5,302	(1,502)
Workers' compensation insurance for community service workers	2,400	2,400	1,934	466
Other contractual services	81,250	99,250	72,656	26,594
Drug screens	40,000	40,000	2,907	37,093
Parking fees	50,000	50,000	35,600	14,400
Travel, meetings and conferences	75,500	75,500	86,163	(10,663)
Equipment repair and maintenance	35,000	70,000	62,633	7,367
Criminal juror compensation	-	57,000	-	57,000
Capital outlay:				
Computer equipment, including software	15,000	-	6,725	(6,725)
Other office equipment	-	-	-	-
Transfer to Commissioners' Fund	-	10,000	14,200	(4,200)
Total charges to appropriations	<u>2,217,950</u>	<u>2,446,750</u>	<u>2,474,101</u>	<u>(27,351)</u>
Budgetary fund balance - June 30, 2004	<u>\$ 1,326,095</u>	<u>\$ 386,520</u>	<u>\$ 418,239</u>	<u>\$ 31,719</u>

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
BUDGETARY COMPARISON SCHEDULE - COMMISSIONERS' FUND**

Year ended June 30, 2004

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance with Final Budget -
	Original and Final	(Budgetary Basis)	Positive (Negative)
Budgetary fund balance (deficit) - July 1, 2003	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental:			
State of Louisiana	310,549	310,549	-
Transfer from general fund	10,000	20,795	10,795
Amounts available for appropriation	<u>320,549</u>	<u>331,344</u>	<u>10,795</u>
Charges to appropriations (outflows):			
Commissioners':			
Personal services:			
Salaries	246,330	243,163	3,167
Transcript services	-	3,823	(3,823)
Group benefits:			
Payroll taxes	5,892	1,459	4,433
Group insurance	20,030	19,142	888
Retirement	31,398	52,732	(21,334)
Supplies:			
Office supplies	3,941	3,743	198
Computer supplies	1,105	-	1,105
Dues and subscriptions	500	76	424
Other	136	-	136
Contractual services:			
Legal and other professional fees	1,048	-	1,048
Other contractual services	1,965	-	1,965
Parking fees	1,440	2,080	(640)
Travel, meetings and conferences	4,564	4,219	345
Equipment repair and maintenance	1,200	441	759
Telephone	1,000	466	534
Total charges to appropriations	<u>320,549</u>	<u>331,344</u>	<u>(10,795)</u>
Budgetary fund balance - June 30, 2004	\$ -	\$ -	\$ -

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT - JUDICIAL EXPENSE FUND
 BUDGETARY COMPARISON SCHEDULE -
 INDIGENT TRANSCRIPT FUND**

Year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance - July 1, 2003	\$ -	\$ -	\$ 18,203	\$ 18,203
Resources (inflows):				
Fees and fines:				
East Baton Rouge Parish Sheriff:				
Indigent transcript fees	\$ 144,000	\$ 144,000	\$ 165,657	\$ 21,657
Amounts available for appropriation	<u>144,000</u>	<u>144,000</u>	<u>165,657</u>	<u>21,657</u>
Charges to appropriations (outflows):				
District Court:				
Transfer to General Fund	<u>144,000</u>	<u>144,000</u>	<u>93,442</u>	<u>50,558</u>
Total charges to appropriations	<u>144,000</u>	<u>144,000</u>	<u>93,442</u>	<u>50,558</u>
Budgetary fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,418</u>	<u>\$ 90,418</u>

See accompanying note to budgetary comparison schedules.

**NINETEENTH JUDICIAL DISTRICT COURT -
JUDICIAL EXPENSE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL**

June 30, 2004

Budgetary accounting and control

Budget law

The Judicial Expense Fund prepares the annual operating budget for the general fund and the indigent transcript fund under the provisions of the Louisiana Municipal Budget Act. In accordance with those provisions, the following procedures are used in adopting the annual budget for these funds:

- (1) An operating budget is prepared at least fifteen days prior to the commencement of the budgetary fiscal year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- (2) The budget is available for public inspection at least fifteen days prior to the beginning of the fiscal year.
- (3) The budget is adopted after consideration of public comment, if any, and authorized for implementation on the first day of the fiscal year.
- (4) The budgets are prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by character (personal services, group benefits, supplies, contractual services and capital outlay). Total expenditures constitute the legal level of control. Expenditures may not exceed the sum of appropriations plus the unreserved prior year fund balance. The budget may be revised during the year as estimates regarding revenues and expenditures change.
- (5) Appropriations lapse at the end of each fiscal year.

With regard to the Commissioners' fund, which is an appropriation of the Louisiana Supreme Court for the operation of the commissioners' offices, the Judicial Budgetary Control Board governs the budget. R.S. 39:4B exempts the judiciary of the state from the State Division of Administration budgetary control, and since budgetary reporting for the Commissioners' Fund is the responsibility of the Judicial Budgetary Control Board, the Nineteenth Judicial District Court is of the opinion that the Commissioners' Fund is also not subject to the Local Government Budget Act (R.S. 39:1301-14), in particular, those requirements relating to public hearings and advertisement. Accordingly, the Commissioners' Fund budget to actual presentation will utilize the budget data formulated under the auspices of the Judicial Budgetary Control Board.

These procedures are followed in establishing the budgetary data reflected in the financial statements with regard to the special revenue fund:

- (1) An operating budget is prepared for the commissioners' fund prior to the commencement of the budgetary fiscal year and submitted to the Judicial Budgetary Control Board. The operating budget includes proposed expenditures for the upcoming year.
- (2) All funds remaining unexpended or unencumbered at year end shall be returned to the state general fund.
- (3) Any surpluses occurring in the appropriation may be transferred from one line item to another during the fiscal year.

Budgetary accounting

The general fund and the indigent transcript fund budgets are prepared using the cash basis of accounting, a basis that differs significantly from that used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of timing differences in the fund balances at June 30, 2004, is presented below:

	General Fund	Indigent Transcript Fund
Budgetary fund balance, June 30, 2004	\$ 418,239	\$ 90,418
Adjustments:		
Net change in accounts receivable	(67,410)	14,919
Net change in accounts payable	<u>(240,355)</u>	<u>(8,847)</u>
Unreserved fund balance, June 30, 2004 (GAAP basis)	<u>\$ 110,474</u>	<u>\$ 96,490</u>

The annual operating budget of the Commissioners' Fund is prepared and presented on the modified accrual basis of accounting.

L.A. CHAMPAGNE & CO., L.L.P.

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MEMBERS - SEC AND
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SECTIONS OF THE AMERICAN
INSTITUTE OF CPAs

EID #72-0454386

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Judges of the
Nineteenth Judicial District Court

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Nineteenth Judicial District Court - Judicial Expense Fund, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Nineteenth Judicial District Court - Judicial Expense Fund's basic financial statements and have issued our report thereon dated November 18, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nineteenth Judicial District Court - Judicial Expense Fund'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

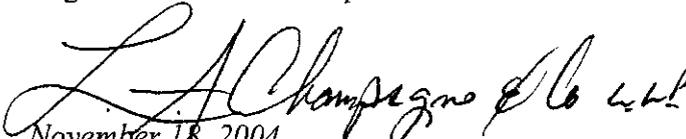
In planning and performing our audit, we considered the Nineteenth Judicial District Court - Judicial Expense Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could

Continued

adversely affect the Nineteenth Judicial District Court – Judicial Expense Fund’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 as item 04-1.

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

This report is intended solely for the information and use of the management and governing body of the Nineteenth Judicial District Court - Judicial Expense Fund, the City of Baton Rouge and Parish of East Baton Rouge, Louisiana, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R.S. 24:513, this report is distributed by the Legislative Auditor as a public document.


November 18, 2004

**NINETEENTH JUDICIAL DISTRICT COURT –
JUDICIAL EXPENSE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
Year Ended June 30, 2004

A: SUMMARY OF AUDIT RESULTS

1. The auditor expresses an unqualified opinion on the financial statements of Nineteenth Judicial District Court – Judicial Expense Fund.
2. One reportable condition disclosed during the audit of the financial statements of the Nineteenth Judicial District Court – Judicial Expense Fund is reported in the “Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.” This reportable condition is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Nineteenth Judicial District Court – Judicial Expense Fund were disclosed during the audit.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. A management letter was not issued in conjunction with this engagement.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

04-1. Reimbursement of Travel Expenses

Criteria – Supporting documentation for travel expense reimbursement other than mileage and/or per diem payments should include the original hotel, airline, or restaurant invoice.

Condition – A duplicate reimbursement totaling \$456.08 was made to Court personnel during the year. This duplicate payment was noted during our examination and was repaid to the Court when the person was notified.

Effect – A duplicate payment was made for these travel expenses.

Cause – Accounting personnel accepted copies of bills and statements to substantiate the travel reimbursement and did not check prior records to see if the costs had been previously advanced.

Recommendation – Travel expenses should only be reimbursed based upon original documents. Lodging invoices to be reimbursed should reflect a zero balance indicating that the invoice was paid in full before court employees are reimbursed. Also, amounts previously advanced for travel should be considered before reimbursements are made.



NINETEENTH JUDICIAL DISTRICT
EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA 70802

JO BRUCE
JUDICIAL ADMINISTRATOR

TELEPHONE: (225) 389-4744
FAX: (225) 389-4774
222 ST. LOUIS STREET, SUITE 733

November 18, 2004

The Nineteenth Judicial District Court – Judicial Expense Fund respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm:
L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, LA 70808

Audit period: Year ended June 30, 2004

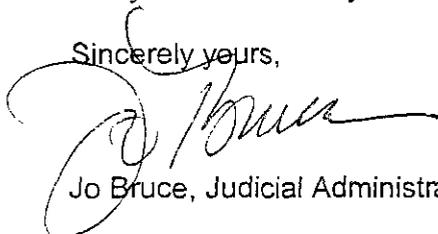
The findings from the 2004 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned to the schedule.

04-1. Reimbursement of Travel Expenses

Condition: A duplicate reimbursement totaling \$456.08 was made to Court personnel during the year. This duplicate payment was noted during our examination and was repaid to the Court when the person was notified.

Action Taken: The Court will research payments made to personnel to prevent duplication and will take every measure to only reimburse from original invoices.

Sincerely yours,



Jo Bruce, Judicial Administrator

**NINETEENTH JUDICIAL DISTRICT COURT –
JUDICIAL EXPENSE FUND
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS**
Year Ended June 30, 2004

03-1. Louisiana Local Government Budget Act

Condition: The notice for the public hearing was published on the same day that the public hearing was held, and no notice was published to certify completion of the budget procedures.

Action Taken: For the current period, dates for the public hearing and notices required by the Government Budget Act were scheduled on the Judicial Administrator's calendar and all notices were published timely.

03-2. Budget Variances

Condition: Total actual expenditures for the General Fund were \$680,917 (or 30%) more than the final amended budget. Total actual expenditures for the Indigent Transcript Fund were \$89,549 more than the final amended budget. No amount was budgeted for these expenditures in the final amended budget.

Action Taken: Actual expenditures were monitored during the fiscal year ending June 30, 2004, and the budget was amended whenever it appeared that actual expenditures would exceed the budget amount by more than 5%.

03-3. Payroll Records

Condition: No documentation was found in employee files to indicate the employee's beginning rate of pay. Additionally, no documentation was found for pay increases over and above the scheduled merit and longevity pay adjustments. Of the 60 payments tested for "comp time" and overtime payments, 2 time sheets could not be located and 11 time sheets were not approved by a supervisor.

Action Taken: Employee data sheets are now maintained in personnel files for active employees indicating date of hire, beginning pay rate, and annual merit increases. The Human Resource Director reviews all timesheets for the proper supervisor approval before the payroll is processed.

03-4. Reimbursement of Travel Expenses

Condition: Duplicate reimbursements were made to Court personnel during the year. These duplicate payments were noted during our examination and were repaid to the Court when notified.

Action Taken: Accounting personnel checked for prior payments to prevent duplication of travel expenses and made every effort only to pay from original invoices. However, in our tests, we did note one duplicate payment during fiscal year ending June 30, 2004. (See Finding 04 – 1)

03-5. Segregation of Duties

Condition: The employee that prepares the invoices to bill for transcripts is the same employee that collects the transcript payments, prepares the bank deposit, and records both the invoices and the subsequent payments in the accounting system.

Action Taken: The Finance Director now collects the transcript payments and reviews the posting of payments in the accounting system.