

**CITY COURT OF
LAKE CHARLES, LOUISIANA
CITY OF LAKE CHARLES, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015**

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2016

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	2
List of Principal Officials	3
FINANCIAL SECTION	
Report of Independent Auditors	4-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	11-12
Statements of Net Position - Fiduciary Funds	13
Notes to Financial Statements	14-32
Required Supplementary Information:	
Budgetary Comparison Schedule	33
General Fund	34-35
Special Revenue Fund	36-37
REPORT ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards	38-39
Schedule of Findings and Questioned Costs	40-43
Schedule of Prior Year Findings and Questioned Costs	44-45

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2016

JUDGES

Honorable John S. Hood

Honorable Jamie B. Bice



CPA • CFE • CFF
mlc@mchehotskycpa.com
www.mchehotskycpa.com

Martin L Chehotsky

Certified Public Accountant
Certified Fraud Examiner
Certified in Financial Forensics

PO Box 5914
1506 South Greenfield Cr.
Lake Charles, LA 70606-5914

Telephone: 337-540-3200
Fax: 337-564-0501

REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood
Honorable Jamie B. Bice
City Court of Lake Charles
Lake Charles, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City Court's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, as of December 31, 2016 and 2015, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge, I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2017, on my consideration of the City Court of Lake Charles, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City Court of Lake Charles' internal control over financial reporting and compliance.



Lake Charles, Louisiana
October 31, 2017

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 982,690	\$ 534,329
Cash - restricted	-	488,688
Due from other funds	<u>101,172</u>	<u>52,014</u>
Total current assets	<u>1,083,862</u>	<u>1,075,031</u>
Noncurrent assets:		
Cash - restricted	1,163,045	1,168,841
Capital assets (net)	<u>163,094</u>	<u>173,879</u>
Total noncurrent assets	<u>1,326,139</u>	<u>1,342,720</u>
Total assets	<u>2,410,001</u>	<u>2,417,751</u>
Deferred outflow of resources:		
Deferred out flows related to net pension liability	<u>25,266</u>	<u>7,523</u>
Liabilities:		
Accounts payable	12,385	6,995
Due to other agencies	<u>19,534</u>	<u>21,984</u>
Total liabilities	<u>31,919</u>	<u>28,979</u>
Deferred inflows of resources:		
Deferred inflows related to net pension liability	<u>5,269</u>	<u>16,309</u>
Net pension liability due after one year	<u>241,400</u>	<u>205,575</u>
Net position		
Net investment in capital assets	163,004	173,879
Restricted-judicial building	806,166	854,629
Restricted-judicial expense	356,880	314,212
Unrestricted	<u>830,629</u>	<u>831,681</u>
Total net position	<u>\$ 2,156,679</u>	<u>\$ 2,174,411</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
Expenses:				
Salaries and benefits	\$ 347,322	\$ 153,385	\$ -	\$ 500,707
Materials and supplies	97,520	-	-	97,520
Professional development and training	33,746	-	-	33,746
Rent	2,400	-	-	2,400
Other program expense	3,200	3,156	-	6,356
Building expense	13,750	-	211,129	224,879
Depreciation	5,751	4,663	-	10,414
Total expenses	503,689	161,204	211,129	876,022
Program revenues:				
Charges for services	50,460	334,284	-	384,744
Judicial building collections	-	-	204,190	204,190
Net program expense (income)	\$ 453,229	\$ (173,080)	\$ 6,939	287,088
General revenues:				
Interest				2,927
Miscellaneous				166,405
Violations income				100,024
Total general revenues				269,356
Change in net position				(17,732)
Net position - beginning (as restated)				2,174,411
Net position - ending				\$ 2,156,679

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
Expenses:				
Salaries and benefits	\$ 244,045	\$ 207,477	\$ -	\$ 451,522
Materials and supplies	46,769	1,530	-	48,299
Professional development and training	30,460	11,974	-	42,434
Other program expense	16,061	1,854	-	17,915
Building expense	-	68,144	215,480	283,624
Depreciation	6,576	4,127	-	10,703
Total expenses	343,911	295,106	215,480	854,497
Program revenues:				
Charges for services	56,445	304,395		360,850
Judicial building collections	-	-	201,385	201,385
Net program expense (income)	\$ 287,466	\$ (9,289)	\$ 14,095	562,235
General revenues:				
Interest				671
Miscellaneous				115,759
Violations income				123,067
Total general revenues				239,497
Change in net position				(52,765)
Net position - beginning				2,227,176
Net position - ending				\$ 2,174,411

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals for December 31, 2015

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	
	Fund	Fund	2016	2015
Current assets:				
Cash	\$ 315,097	\$ 667,593	\$ 982,690	\$ 1,023,027
Due from other funds	101,172	-	101,172	52,014
Total current assets	416,269	667,593	1,083,862	1,075,041
Restricted assets:				
Cash	1,163,045	-	1,163,045	1,168,841
Total assets	\$ 1,579,314	\$ 667,593	\$ 2,246,907	\$ 2,243,882
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	\$ 12,385	\$ -	\$ 12,385	\$ 6,995
Due to other agencies	19,534	-	19,534	21,994
Total current liabilities payable from current assets	31,919	-	31,919	28,979
FUND BALANCES				
Fund balance:				
Restricted	1,163,045	-	1,163,045	854,629
Assigned	-	667,593	667,593	314,213
Unassigned	384,350	-	384,350	1,046,061
Total fund balance	1,547,395	667,593	2,214,988	2,214,903
Total liabilities and fund balances	\$ 1,579,314	\$ 667,593	2,246,907	2,243,882
Amounts reported for governmental activities in the statement of net position is different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation and pension liability			(58,309)	173,879
Net position of government activities			\$ 2,156,679	\$ 2,417,761

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2016

With Comparative Totals for Year Ended December 31, 2015

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total Governmental</u> <u>Funds</u>	
			<u>2016</u>	<u>2015</u>
Revenues:				
Charges for services	\$ 50,460	\$ 334,284	\$ 384,744	\$ 360,840
Court costs and fines	100,024	-	100,024	150,909
Interest income	1,665	1,262	2,927	992
Miscellaneous	166,405	-	166,405	87,606
Judicial building collections	204,190	-	204,190	201,385
Total revenues	<u>522,744</u>	<u>335,546</u>	<u>858,290</u>	<u>801,732</u>
Expenditures:				
Current:				
Bank service charges	15	-	15	130
Dues and subscriptions	10,560	1,278	11,838	8,047
Maintenance	3,480	-	3,480	2,022
Miscellaneous	3,075	495	3,570	10,446
Office expense	33,633	-	33,633	40,116
Professional development and training	33,746	-	33,746	42,434
Retirement	70,917	-	70,917	67,216
Salaries	318,159	153,385	471,544	384,307
Taxes - payroll	13,750	-	13,750	12,270
Telephone	3,200	1,383	4,583	3,986
Intergovernmental transfer	211,129	-	211,129	211,129
Capital outlay	-	-	-	-
Total expenditures	<u>701,664</u>	<u>156,541</u>	<u>858,205</u>	<u>786,454</u>
Excess (deficiency) of revenues over expenditures	(178,920)	179,005	85	15,278
Fund balances beginning	<u>-</u>	<u>-</u>	<u>2,214,903</u>	<u>2,199,625</u>
Fund balances - ending	<u>\$ (178,920)</u>	<u>\$ 179,005</u>	<u>\$ 2,214,988</u>	<u>\$ 2,214,903</u>

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2016

With Comparative Totals for Year Ended December 31, 2015

	Total Governmental Funds	
	2016	2015
Reconciliation of the change in fund balances-total governmental funds to the change in net position of governmental activities:		
Net change in fund balances-total governmental funds	\$ 85	\$ 15,278
Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Net effect of pension liability recognition	(7,032)	(57,340)
Capital asset disposal	(371)	-
Depreciation expense	(10,414)	(10,703)
Change in net position of governmental activities	\$ (17,732)	\$ (52,765)

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
December 31, 2016 and 2015

ASSETS	Agency Funds	
	2016	2015
Cash	\$ 524,381	\$ 477,437
Receivables for civil cases	11,106	7,943
Total assets	\$ 535,487	\$ 485,380
LIABILITIES		
Accounts payable	\$ 782	\$ -
Deposits held for disposition of civil cases	433,533	433,366
Due to other funds	101,172	52,014
Total liabilities	\$ 535,487	\$ 485,380

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. **Summary of Significant Accounting Policies**

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City).

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows resulting from exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from Non-exchange transactions should be recognized in accordance with the requirements of Section N50, Non-exchange Transactions. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid doubling up revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Statement of Net Position and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services; (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

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 - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified 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 in operations.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources should be recognized when the exchange takes place. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

D. Budgets and Budgetary Accounting

The Comptroller prepares a proposed budget and submits it to the City Court Judges prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Judges. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the City Court Judges.

E. Cash

The City Court's cash is considered to be cash on hand and demand deposits.

F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 4.

G. Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 40 years
Improvements, other than buildings	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

H. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

I. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

J. Net Position

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

K. New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the Court adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Nos. 65 must be implemented by the Court for the year ending December 31, 2015. The City Court of Lake Charles adopted Governmental Accounting Standards Board (GASB) Statement Number 68 - *Accounting for Financial Reporting and Pension - an amendment of GASB Statement No. 27*, and Statement Number 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The net effect to the entity-wide Statement of Net Position for the prior year that resulted from the adoption of GASB 68 and 71 is \$24,129

2. Compliance and Accountability

Deposit laws and regulations (restricted assets):

Judicial Building Fund - In accordance with Louisiana Statute RS 13:1899, the City Court collects a filing fee and places it in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

Building Maintenance Fund - In accordance with Louisiana Statute RS 13:2080.1, the City Court collects from every person filing any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court cost, an additional sum to be placed in a separate account designated as the Building Maintenance Fund. This fund is established and may be used for any capital improvements for the building housing the city court.

3. Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City Court's bank and demand and time deposits at year end were fully collateralized.

The deposits at December 31, 2016 are as follows:

December 31, 2016	<u>Demand Deposits</u>
Carrying amount	<u>\$ 2,145,735</u>
Bank balances:	
a. Federally insured	\$ 500,000
b. Collateralized by securities held by the Pledging financial institution	1,645,735
c. Uncollateralized and uninsured	<u>-</u>
Total bank balances	<u>\$ 2,145,735</u>

4. **Restricted Assets - Cash**

Restricted assets described in Note 2 as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Cash deposits:		
Judicial building fund	\$ 806,166	\$ 854,629
Judicial expense fund	-	-
Building maintenance fund	<u>356,879</u>	<u>314,212</u>
Total restricted cash	<u>\$ 1,163,045</u>	<u>\$ 1,168,841</u>

5. **Capital Assets**

Capital asset activity for the year ending December 31, 2016, was as follows:

	<u>Balance</u> <u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Governmental activities:				
Equipment	\$ 193,555	\$ -	\$ 11,450	\$ 182,105
Furniture and fixtures	<u>45,437</u>	<u>-</u>	<u>-</u>	<u>45,437</u>
Totals at historical cost	<u>238,992</u>	<u>-</u>	<u>11,450</u>	<u>227,542</u>
Less accumulated depreciation:				
Equipment	49,461	6,753	(11,079)	45,135
Furniture and fixtures	<u>15,652</u>	<u>3,661</u>	<u>-</u>	<u>19,313</u>
Total accumulated depreciation	<u>65,113</u>	<u>10,414</u>	<u>(11,079)</u>	<u>64,448</u>
Governmental activities capital assets, net	<u>\$ 173,879</u>	<u>\$ 10,414</u>	<u>\$ (371)</u>	<u>\$ 163,094</u>

Capital asset activity for the year ending December 31, 2015, was as follows:

	<u>Balance</u> <u>1/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
Governmental activities:				
Equipment	\$ 175,788	\$ 17,767	\$ -	\$ 193,555
Furniture and fixtures	<u>45,437</u>	<u>-</u>	<u>-</u>	<u>45,437</u>
Totals at historical cost	<u>221,225</u>	<u>17,767</u>	<u>-</u>	<u>238,992</u>
Less accumulated depreciation:				
Equipment	42,934	6,527	-	49,461
Furniture and fixtures	<u>11,476</u>	<u>4,176</u>	<u>-</u>	<u>15,652</u>
Total accumulated depreciation	<u>54,410</u>	<u>10,703</u>	<u>-</u>	<u>65,113</u>
Governmental activities capital assets, net	<u>\$ 166,815</u>	<u>\$ 7,064</u>	<u>\$ -</u>	<u>\$ 173,879</u>

6. **Fund Balance**

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, City Court classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Judges) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes which that are neither considered restricted or committed. Fund balance may be assigned by the Judges.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

City Court uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

City Court does not have a formal minimum fund balance policy.

7. Retirement Benefits

Louisiana State Employees' Retirement Systems

Retirement Commitments:

Effective December 31, 2016, the City Court implemented Governmental Accounting Standards Board Statement No. 68, *Accounting for Financial Reporting and Pension - an amendment of GASB Statement No. 27*, and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements required the City Court to recognize its proportionate share of the net pension liability for the two defined benefit plans in which its employees participate. The effects of the implementation were applied directly to net position, resulting in a reduction of \$180384 from the

previously stated balance for December 31, 2015. The increase in long-term liabilities is directly related to the addition of the net pension liability.

Plan Descriptions

The City Court participates in two state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees' Retirement System (MERS) and Louisiana State Employees' Retirement System (LASERS) of the State of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly-available financial reports that include financial statements and require supplementary information for the systems. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. The City Court of Lake Charles implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB 68. Additional disclosures with respect to GASB 68 to the City's participation in these systems are provided below. Municipal Employees Retirement System of Louisiana (MERS). The reports for MERS and LASERS may be obtained at www.mersla.com and www.lasersonline.org respectively. The Municipal Employees' Retirement System (MERS) issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809. The financial report for LASERS may be obtained by writing to that system at 8401 United Plaza Blvd #100, Baton Rouge, LA 70809.

8. Pension Plan

Municipal Employees Retirement System:

Plan description - MERS

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans. Plan A and Plan B, with separate assets and benefit provisions. All employees of the City Court of Lake Charles are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in MERS.

Plan description - LASSERS

The City Court of Lake Charles has two judges participating in LASERS. The System was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of LRS 11:401, as amended, for eligible state officers, employees and their beneficiaries. The projection of benefit payments in the calculation of total pension liability includes all benefits to be provided to current active and inactive employees through LASERS in accordance with benefit terms and any legal agreements in force at the measurement date.

Benefits Provided:

Retirement Benefits - MERS (Plan B)

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and received the benefit accrued to their date of termination.

Retirement Benefits - LASERS

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Members may also choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous, duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan. A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement is ten years of service.

Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation

period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three-year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of LASERS is eligible to enter DROP when he or she is eligible for regular retirement based on service requirements. The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors. Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who selected the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Disability Benefits

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

A member of LASERS with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees. For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Certain eligible LASERS surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Cost of Living Increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

The present value of future LASERS retirement benefits are based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantially automatic. As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved.

Contributions:

The MERS and LASERS employer contribution rates are established annually under LRS 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending December 31, 2016 the employer contribution rate for MERS Plan B was 10.11%; LASERS was 38.10% & 39.30% hired after January 1, 2011. Employer contributions to MERS and LASERS were \$12,590 and \$58,327, respectively, for the year ended December 31, 2016. Employees participating in MERS are required to contribute 5.00% and employees participating in LASERS are required to contribute 11.50% & 13% hired after January 1, 2011.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. The City Court of Lake Charles recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2016, the City Court of Lake Charles recognized revenue as a result of support received from non-employer contributing entities of \$ 2,127 for its participation in MERS and \$18,670 for its participation in LASERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2016, the City Court of Lake Charles reported a liability for MERS and LASERS of \$35,825 and \$205,575, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of December 31, 2016 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The City Court of Lake Charles's proportion of the net pension liability for each retirement system was based on a projection of the City Court of Lake Charles' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The MERS actuarial assumptions used were based on the results of an experience study for the period July 1, 2009 through June 30, 2016.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 8.30% and LASERS is 8.66% for the year ended June 30, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS as of June 30, 2016 are summarized in the following table:

MERS:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	2.95%
Fixed income	15%	0.89%
Alternatives	35%	2.06%
Other	0%	0.00%
Subtotal	<u>100%</u>	<u>5.90%</u>
Inflation adjustment		<u>2.40%</u>
Total		<u>8.30%</u>

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS as of June 30, 2016 are summarized in the following table:

LASERS:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	57%	10.23%
Fixed income	12%	5.88%
Alternatives	24%	7.82%
Other	7%	3.94%
Subtotal	<u>100%</u>	<u>5.66%</u>
Inflation adjustment		<u>3.00%</u>
Total		<u>8.66%</u>

Discount Rates:

The discount rate used to measure the total pension liability for MERS was 7.50%. The discount rate used to measure the total pension liability for LASERS was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS and LASERS were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Prior Period Adjustments:

The City Court of Lake Charles adopted Governmental Accounting Standards Board (GASB) Statement Number 68 - *Accounting for Financial Reporting and Pension - an amendment of GASB Statement No. 27*, and Statement Number 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The net effect to the entity-wide Statement of Net Position for the prior year that resulted from the adoption of GASB 68 and 71 is \$180,384.

The City Court reported a prior period adjustment in fiscal year ended December 31, 2015 as follows:

<u>Statement of Net Positions</u>	<u>Governmental Activities</u>
Total net position, December 31, 2015, as previously reported	\$ 2,407,560
Effects of GASB's 68 implementation:	
Deferred outflows of resources at December 31, 2015	5,345
Net pension liability at December 31, 2015	183,071
Deferred inflows of resources	2,658
Net effects of GASB's 68 Implementation	<u>(180,384)</u>
Total net position, December 31, 2015, restated	<u>\$ 2,227,176</u>

9. **Agreement and New Court Building**

Agreement & Court Building Contributions:

The City Court of Lake Charles and the City of Lake Charles completed the new City Court Building in 2015. The building is owned by the City of Lake Charles. The City Court contributed to the City of Lake Charles \$0 and \$275,951 in 2016 and 2015, respectively. Also included in the funding for the construction was a \$3 million loan to the City of Lake Charles from the Calcasieu Parish Public Trust Authority. As per the loan agreement, the payment and security of the Bonds will provide for a pledge by the City and Lake Charles City Court of revenues collected by the City Court and deposited into the Judicial Building Fund and Judicial Maintenance Fund. The Court will make annual payments equal to the current year's debt service requirement if funds are available. The amount paid in the current fiscal year was \$2,111,129 and \$215,480 for fiscal year 2015.

10. **Louisiana Revised Statutes Concerning Mandated Fees**

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 legally limits the amount of salary of a City Court Judge to not exceed that of 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 expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.

11. **Louisiana Revised Statutes Concerning Forfeited Deposits**

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

12. Compensation of Principal Officials

Jamie B. Bice compensation for 2016:

Salary	\$ 148,601
Benefits - insurance	6,807
Benefits - taxes	1,951
Benefits - retirement	56,462
Travel	<u>1,685</u>
Total compensation for 2016	<u>\$ 215,506</u>

John S. Hood compensation for 2016:

Salary	\$ 148,601
Benefits - insurance	6,185
Benefits - taxes	56,542
Benefits - retirement	1,070
Travel	<u>-</u>
Total compensation for 2016	<u>\$ 212,398</u>

13. Custodial risk

The City Court has no custodial risk as all funds are held in the entity's name and are fully collateralized.

14. Subsequent Events

Management has evaluated subsequent events through report release date.

CITY COURT OF
LAKE CHARLES, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - General Fund and Special Revenue Fund

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
Year ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 50,460	\$ 460
Court costs and fines	80,000	80,000	100,024	20,024
Interest income	2,500	2,500	1,665	(835)
Miscellaneous income	150,000	150,000	166,405	16,405
Judicial building collections	200,000	200,000	204,190	4,190
Total revenues	<u>482,500</u>	<u>482,500</u>	<u>522,744</u>	<u>40,244</u>
Expenditures:				
Bank service charges	100	100	15	85
Dues and subscriptions	10,560	10,560	10,560	-
Maintenance	3,500	3,500	3,480	20
Miscellaneous	3,500	3,500	3,075	425
Office expense	30,000	30,000	33,633	(3,633)
Professional development and training	35,000	35,000	33,746	1,254
Retirement	70,000	70,000	70,917	(917)
Salaries	350,000	350,000	318,159	31,841
Taxes - payroll	15,000	15,000	13,750	1,250
Telephone	5,000	5,000	3,200	1,800
Intergovernmental transfer	215,000	215,000	211,139	3,871
Capital outlay	-	-	-	-
Total expenditures	<u>737,660</u>	<u>737,660</u>	<u>701,664</u>	<u>35,996</u>
Excess (deficiency) of revenues over expenditures	(255,160)	(225,160)	(178,920)	76,240
Fund balances - beginning	<u>1,521,215</u>	<u>1,521,215</u>	<u>1,521,215</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,266,055</u>	<u>\$ 1,266,055</u>	<u>\$ 1,342,295</u>	<u>\$ 76,240</u>

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
Years ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 70,000	\$ 70,000	\$ 56,445	\$ (13,555)
Court costs and fines	120,000	120,000	116,461	(3,539)
Interest income	350	350	321	(29)
Miscellaneous income	100,000	100,000	87,606	(12,394)
Judicial building collections	<u>200,000</u>	<u>200,000</u>	<u>201,385</u>	<u>1,385</u>
Total revenues	<u>490,350</u>	<u>490,350</u>	<u>462,218</u>	<u>(28,132)</u>
Expenditures:				
Bank service charges	150	150	130	20
Dues and subscriptions	4,000	4,000	6,722	(2,722)
Maintenance	2,000	2,000	2,022	(22)
Miscellaneous	10,000	10,000	9,906	94
Office expense	40,000	40,000	39,911	89
Professional development and training	31,600	31,600	30,460	1,140
Rent	-	-	-	-
Retirement	13,000	13,000	11,042	1,958
Salaries	230,000	230,000	233,003	(3,003)
Taxes - payroll	13,000	13,000	12,270	730
Telephone	2,600	2,600	2,672	(72)
Intergovernmental transfer	220,000	220,000	215,480	4,520
Capital outlay	<u>129,000</u>	<u>129,000</u>	<u>-</u>	<u>129,000</u>
Total expenditures	<u>695,350</u>	<u>695,350</u>	<u>563,618</u>	<u>131,732</u>
Excess (deficiency) of revenues over expenditures	(205,000)	(205,000)	(101,400)	103,600
Fund balances - beginning	<u>1,726,215</u>	<u>1,726,215</u>	<u>1,726,215</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,521,215</u>	<u>\$ 1,521,215</u>	<u>\$ 1,624,815</u>	<u>\$ 103,600</u>

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 335,000	\$ 335,000	\$ 334,284	\$ (716)
Interest income	1,200	1,200	1,262	62
Total revenues	<u>336,200</u>	<u>336,200</u>	<u>335,546</u>	<u>(654)</u>
Expenditures:				
Dues and subscriptions	1,200	1,200	1,278	(78)
Miscellaneous	500	500	495	5
Salaries	150,000	150,000	153,385	(3,385)
Telephone	1,500	1,500	1,383	117
Capital outlay	-	-	-	-
Total expenditures	<u>153,200</u>	<u>153,200</u>	<u>156,541</u>	<u>(3,341)</u>
Excess (deficiency) of revenues over expenditures	183,000	183,000	179,005	(3,995)
Fund balances - beginning	<u>509,335</u>	<u>509,335</u>	<u>509,335</u>	<u>-</u>
Fund balances - ending	<u>\$ 692,335</u>	<u>\$ 692,335</u>	<u>\$ 688,340</u>	<u>\$ (3,995)</u>

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
Years Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 285,000	\$ 285,000	\$ 338,843	\$ 53,843
Interest income	525	525	671	146
Total revenues	<u>285,525</u>	<u>285,525</u>	<u>339,514</u>	<u>53,989</u>
Expenditures:				
Dues and subscriptions	2,550	2,550	1,325	1,225
Miscellaneous	-	-	540	(540)
Office expense	46,650	46,650	205	46,445
Professional development and training	15,000	15,000	11,974	3,026
Salaries	143,000	143,000	207,478	(64,478)
Telephone	2,400	2,400	1,314	1,086
Capital outlay	40,000	40,000	-	40,000
Total expenditures	<u>249,600</u>	<u>249,600</u>	<u>222,836</u>	<u>26,764</u>
Excess (deficiency) of revenues over expenditures	35,925	35,925	116,678	80,753
Fund balances - beginning	<u>473,410</u>	<u>473,410</u>	<u>473,410</u>	<u>-</u>
Fund balances - ending	<u>\$ 509,335</u>	<u>\$ 509,335</u>	<u>\$ 590,088</u>	<u>\$ 80,753</u>



CPA • CFE • CFF
mlc@mchehotskycpa.com
www.mchehotskycpa.com

Martin L Chehotsky

Certified Public Accountant
Certified Fraud Examiner
Certified in Financial Forensics

PO Box 5914
1506 South Greenfield Cr.
Lake Charles, LA 70606-5914

Telephone: 337-540-3200
Fax: 337-564-0501

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable John S. Hood
Honorable Jamie B. Bice
City Court of Lake Charles
Lake Charles, Louisiana

I have audited, 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, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively compromise the City Court of Lake Charles, Louisiana's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I considered the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as item 2016-01 and 2016-02.

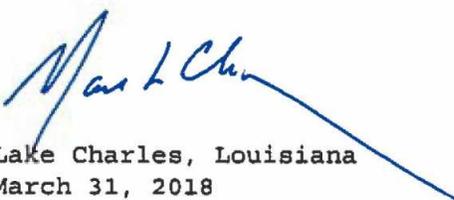
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City Court's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The City Court's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly I express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Mark L. Charles, Louisiana
March 31, 2018

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

I have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2016, and have issued my report thereon dated October 31, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2016 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses Yes No

Other conditions Yes No

Compliance

Compliance material to financial statements Yes No

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016
(Continued)

Section II - Financial Statement Findings

2016-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated, and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

2016-02

Criteria: The audit report was to be filed with the Louisiana Legislative Auditor by June 30, 2016.

Condition: The audit report was not issued until November 15, 2016.

Effect: The audit report was not submitted until almost six months after the original due date.

Recommendation: Management submitted information to the auditor in a timely manner after the year-end but extenuating circumstances caused the audit to be delayed.

Response: There were extenuating circumstances which resulted in the failure to meet the original deadline. The current auditor had serious health issues which resulted in a delay to complete audit procedures and finish the report. This matter, hopefully, should not occur in the future. An extension was obtained from the Legislative Auditor until November 15, 2016.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of the City Court of Lake Charles, Louisiana.
2. No significant deficiencies relating to the audit of the financial statements were disclosed in the Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards.
3. There were material weaknesses relating to the audit of the financial statements which were disclosed in the Report on Compliance and Other Matters and on Internal Control over financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards.
4. No instances of noncompliance material to the financial statements of the Lake Charles City Court were disclosed during the audit.
5. No separate management letter was issued.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

See the schedule of findings (pp. 41-42)

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

2015-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated, and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

2015-02

Criteria: Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value.

Condition: Deposits in excess of federally insured amounts were not fully collateralized at year end.

Effect: Without adequate collateral, the deposits are subject to deposit risk.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Recommendation: Management should ensure that all deposits in excess of federally insured amounts are collateralized.

Response: Management was monitoring the collateralization on a monthly basis. However, the balance was under collateralized by a small amount at year end. This issue was immediately corrected after year end. This condition was resolved in 2015.

2015-03

Criteria: The Court reported in December of 2015 that \$400 in cash funds was missing from one of the cash drawers.

Condition: All cash funds should be secured at all times. This instance was reported to the LA Legislative auditor and appropriate law enforcement authorities, as well as, the Calcasieu District Attorney.

Effect: Without securing all cash, funds might continue to go missing.

Recommendation: Management should instruct all cashiers that they should not leave their drawers unlocked when away from their assigned positions. Additionally, management should consider installing surveillance equipment in the cashier areas.

Response: Management has instructed personnel concerning the above and has recently installed surveillance equipment in the areas suggested. The investigation of this incident was conducted by the Calcasieu Parish Sheriff's Office and the investigation was completed and has been submitted to the Calcasieu District Attorney's Office for consideration. As of the date of this report this matter is still in the hands of the Calcasieu Parish District Attorney's office and I have no further information.