

BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

CITY COURT OF LAKE CHARLES, LOUISIANA
CITY OF LAKE CHARLES, LOUISIANA

DECEMBER 31, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	
Independent Auditors' Report	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of Balance Sheet – Governmental Fund – to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets – Agency Fund	15
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	33
Budgetary Comparison Schedule – Special Revenue Fund	34
Schedule of Employer's Proportionate Share of Net Pension Liability	35
Schedule of Employer's Pension Contributions	36
Notes to the Required Supplementary Information	37
SUPPLEMENTAL INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head	39
COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	41
Schedule of Findings and Questioned Costs	43
Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan	44



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INDEPENDENT AUDITORS' REPORT

Honorable John S. Hood
Honorable Jamie B. Bice

City Court of Lake Charles
Lake Charles, Louisiana

We 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, 2018, and the related notes to the financial statements, which collectively comprise the City Court of Lake Charles's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of City Court of Lake Charles, Louisiana, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33-34 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Court of Lake Charles, Louisiana's basic financial statements. The schedule of compensation, benefits and other payments to agency heads are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the City Court of Lake Charles, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Longley, Williams, Co., P.C.

Lake Charles, Louisiana

June 28, 2019

BASIC FINANCIAL STATEMENTS

Governmental-Wide Financial Statements (GWFS)

**CITY COURT OF
LAKE CHARLES, LOUISIANA**

**STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
Year Ended December 31, 2018**

ASSETS

Current assets:

Cash		\$ 582,762
Total current assets		582,762

Noncurrent assets:

Cash-restricted		830,130
Capital assets, net		323,997
Total noncurrent assets		1,154,127

Deferred outflow of resources:

Pension related		30,043
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Total assets and deferred outflow of resources	\$ 1,766,932
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LIABILITIES

Current liabilities:

Accrued liabilities		\$ 7,352
Due to other agencies		8,722
Due to other funds		117,537
Total current liabilities		133,611

Deferred inflows of resources:

Pension related		24,818
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Net pension liability due after one year	583,854
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NET POSITION

Net investment in capital assets		323,997
Restricted - Judicial Building		577,615
Restricted - Building Maintenance		252,515
Unrestricted		(129,478)
Total net position		1,024,649

Total liabilities, deferred inflows of resources and net position	\$ 1,766,932
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See accompanying notes and independent auditors' report.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

Activities	Expenses	Program Revenues					Net (Expense) Revenues and Changes in Net Assets
		Fees and Charges for Services	Operating Grant	Judicial Expense	Judicial Building	Judicial Building Maintenance	Governmental Activities
Governmental Activities:							
Judicial	\$ 1,733,612	\$ 127,801	\$ -	\$ 355,764	\$ 157,210	\$ 40,995	
Total Governmental Activities	\$ 1,733,612	\$ 127,801	\$ -	\$ 355,764	\$ 157,210	\$ 40,995	\$ (1,051,842)
						General revenues:	
						Interest	28,893
						Miscellaneous	9,939
						Total general revenues	38,832
						Change in net position	(1,013,010)
						Net position - beginning of year	2,037,659
						Net position - end of year	\$ 1,024,649

See accompanying notes and independent auditors' report.

Fund Financial Statements

**CITY COURT OF
LAKE CHARLES, LOUISIANA**

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018**

	<u>General Fund</u>	<u>Judicial Expense</u>	<u>Judicial Building</u>	<u>Judicial Building Maintenance</u>	<u>Total</u>
ASSETS					
Cash	\$ 177,857	\$ 404,905	\$ -	\$ -	\$ 582,762
Restricted cash	-	-	577,615	252,515	830,130
Total assets	<u>\$ 177,857</u>	<u>\$ 404,905</u>	<u>\$ 577,615</u>	<u>\$ 252,515</u>	<u>\$ 1,412,892</u>
LIABILITIES					
Accounts payable	\$ 7,352	\$ -	\$ -	\$ -	\$ 7,352
Due to other agencies	8,722	-	-	-	8,722
Due to other funds	117,537	-	-	-	117,537
Total liabilities	<u>133,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,611</u>
FUND BALANCES					
Restricted	-	-	577,615	252,515	830,130
Assigned	-	404,905	-	-	404,905
Unassigned	44,246	-	-	-	44,246
Total fund balances	<u>44,246</u>	<u>404,905</u>	<u>577,615</u>	<u>252,515</u>	<u>1,279,281</u>
Total liabilities and fund balances	<u>\$ 177,857</u>	<u>\$ 404,905</u>	<u>\$ 577,615</u>	<u>\$ 252,515</u>	<u>\$ 1,412,892</u>

See accompanying notes and independent auditors' report.

CITY COURT OF
LAKE CHARLES, LOUISIANA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND - TO THE STATEMENT
OF NET POSITION

For the Year Ended December 31, 2018

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 1,279,281
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Certain long-term assets are not reported in the financial statements because they are not available to pay current-period expenditures, but they are reported as assets in the statement of net position.

Deferred outflows - pension related	30,043
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Capital outlay is reported in governmental funds as expenditures. However, in the statement of activities, the cost of the asset is allocated over the estimated useful lives as depreciation expense.

Capital outlay	473,869
Depreciation expense	(149,872)
	<hr/> 323,997

Government funds do not report changes in long term liabilities as expenditures. However, the following changes in long-term liabilities do appear in the statement of activities since the liabilities are reported on the Statement of Net Position.

Net pension liability	(583,854)
Deferred inflows - pension related	(24,818)
	<hr/> (608,672)

Total net position of governmental activities at December 31, 2018	<hr/> <u>\$ 1,024,649</u>
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See accompanying notes and independent accountants' report.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Judicial Expense	Judicial Building	Judicial Building Maintenance	Total Governmental Funds
Revenues:					
Charges for services	\$ 56,370	\$ 355,764	\$ 157,210	\$ 40,995	\$ 610,339
Court costs and fines	71,431	-	-	-	71,431
Interest income	2,438	8,121	14,293	4,041	28,893
Miscellaneous	9,846	93	-	-	9,939
Total revenues	<u>140,085</u>	<u>363,978</u>	<u>171,503</u>	<u>45,036</u>	<u>720,602</u>
Expenditures:					
Bank service charges	6,417	-	-	-	6,417
Building expense	48,144	-	-	-	48,144
Dues and subscriptions	7,644	901	-	-	8,545
Maintenance	240	-	-	-	240
Miscellaneous	8,218	6,342	-	-	14,560
Office expense	35,861	900	-	-	36,761
Professional development & training	67,929	-	-	-	67,929
Rent	2,088	-	-	-	2,088
Retirement	80,987	-	-	-	80,987
Salaries	177,450	158,626	-	-	336,076
Taxes - payroll	15,304	-	-	-	15,304
Telephone	4,730	1,738	-	-	6,468
Intergovernmental transfer	-	-	1,044,774	-	1,044,774
Capital outlay	16,480	-	-	-	16,480
Total expenditures	<u>471,492</u>	<u>168,507</u>	<u>1,044,774</u>	<u>-</u>	<u>1,684,773</u>
Excess (deficiency) of revenues over expenditures	(331,407)	195,471	(873,271)	45,036	(964,171)
Other Financing Sources (Uses)					
Operating transfers in	66,370	-	650,000	-	716,370
Operating transfers (out)	-	(650,000)	-	(66,370)	(716,370)
Total other financing sources (uses)	<u>66,370</u>	<u>(650,000)</u>	<u>650,000</u>	<u>(66,370)</u>	<u>-</u>
Net changes in fund balance	(265,037)	(454,529)	(223,271)	(21,334)	(964,171)
Fund balance - beginning	<u>309,283</u>	<u>859,434</u>	<u>800,886</u>	<u>273,849</u>	<u>2,243,452</u>
Fund balance - ending	<u>\$ 44,246</u>	<u>\$ 404,905</u>	<u>\$ 577,615</u>	<u>\$ 252,515</u>	<u>\$ 1,279,281</u>

See accompanying notes and independent auditors' report.

CITY COURT OF
LAKE CHARLES, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Total net change in fund balance - governmental funds \$ (964,171)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlay is reported in governmental funds as expenditures. However, in the statement of activities, the cost of the asset is allocated over the estimated useful lives as depreciation expense.

Capital outlay	16,480
Depreciation expense	(40,614)
	<hr style="border-top: 1px solid black;"/>
	(24,134)

Government funds do not report changes in long term liabilities as expenditures. However, the following changes in long-term liabilities do appear in the statement of activities since the liabilities are reported on the Statement of Net Position.

Pension contribution subsequent to the measurement date	25,388
Pension expense	(50,093)
	<hr style="border-top: 1px solid black;"/>
	(24,705)

Total changes in net position at December 31, 2018 per Statement of Activities \$ (1,013,010)

See accompanying notes and independent auditors' report.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND
Year Ended December 31, 2018

	<u>Advanced Court Cost Fund</u>
ASSETS	
Cash	\$ 517,007
Due from general fund	117,537
Receivables for civil cases	8,940
Total assets	<u>\$ 643,484</u>
LIABILITIES	
Deposits held for disposition of civil cases	<u>\$ 643,484</u>
Total liabilities	<u>\$ 643,484</u>

See accompanying notes and independent auditors' report.

Notes to the Financial Statements

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

INTRODUCTION

The City Court of Lake Charles (the “City Court”) was created under the authority of Louisiana Revised Statutes (“LRS”) 13:1952. The City Court has jurisdiction within the Third Ward of Calcasieu Parish and has the authority to decide certain juvenile, traffic and criminal matters, as well as civil disputes, up to \$25,000. City Court revenues include court costs on civil and criminal cases, and other revenues.

The accounting and reporting policies of the City Court conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of the industry audit guide, *Audits of State and Local Governments*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City Court is fiscally dependent on the City of Lake Charles (the “City”). The City owns the building in which the City Court operates and provides funds for salaries. Because the City Court is fiscally dependent on the City, the City Court was determined to be a component unit of the City, the financial reporting entity. The accompanying financial statements presents information only on the funds maintained by the City Court and does not present information on the City, the general governmental services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

B. BASIS OF PRESENTATION

The City Court uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental-Wide Financial Statements

The governmental-wide financial statements include a Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid duplicating revenues and expenses. Fiduciary funds are also excluded from the governmental-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 repayment of the principal and interest on the building loan agreement with the City 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.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. BASIS OF PRESENTATION - Continued

Fund Financial Statements

The City Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating.

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.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person, who pays 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.

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.

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.

FIDUCIARY FUND TYPES

Agency Fund - The agency funds are 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.

Advanced Court Costs Fund- Advanced court costs are deposits made by plaintiffs who file civil suits. These deposits are recorded as a liability. The court acts only as a collection agent for fees in civil matters. As the suits are processed, the various fees earned are paid out on a monthly basis. Thus, the activity in this account is not reflected in the statement of revenues collected and expenditures paid. After a case is dismissed, any excess deposit is refunded to the plaintiff.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. MEASUREMENT FOCUS AND BASIC 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 governmental-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 governmental-wide statements and the fund financial statements. 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

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

Under state law, the City Court may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost, which approximates fair value.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. RESTRICTED ASSETS

These assets consist of cash deposits restricted for various purposes as detailed in Note 3.

G. CAPITAL ASSETS AND DEPRECIATION

Capital assets are capitalized at historical costs. The City Court maintains a threshold level of \$1,000 or more for capitalizing assets.

Capital assets are recorded in the Statement of Net Position and Statement of Activities. All capital assets are depreciated using the straight-line method over the following useful lives:

Building improvements	15 to 40 years
Office equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

Since surplus assets are sold for an immaterial amount when declared no longer needed by the City Court, no salvage value is taken into consideration for depreciation purposes.

H. COMPENSATED ABSENCES

The City Court's obligation for employees' rights to receive compensation for future absences (such as vacation and sick pay) cannot be reasonably estimated, and thus, is not recognized in the accompanying financial statements.

I. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

J. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In some instances, 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 revenue 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. At December 31, 2018 the City Court's deferred outflows and inflows of resources were attributable to its pension plan.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. EQUITY CLASSIFICATION

In governmental-wide statements, equity is classified as net position and 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 – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

L. FUNDEQUITY

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City Court is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- b. Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Court. These amounts cannot be used for any other purpose unless the City Court removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- d. Assigned: This classification includes amounts that are constrained by the City Court’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the judges or through the judges delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- e. Unassigned: This classification includes the residual fund balance for the General Fund.

The City Court typically use restricted fund balances first, followed by committed, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In June 2017, the Governmental Accounting Standards Board (GASB) approved Statement No. 87, “Leases.” The objective of this Statement is to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of GASB No. 87 must be implemented by the City Court for periods beginning after December 15, 2019, with earlier application encouraged. The effect of implementation of the statement of the City Court’s financial statements has not yet been determined.

In January 2017, the Governmental Accounting Standards Board (GASB) approved Statement No. 84, “Fiduciary Activities.” GASB Statement No. 84 establishes general criteria for determining when a governmental unit has a fiduciary role for managing certain types of assets. GASBS No. 84 replaces *agency funds* with *custodial funds*, which generally are used to report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of GASB Statement No. 84 must be implemented by the City Court for periods beginning after December 15, 2018, with earlier application encouraged. The effect of implementation of this statement on the City Court’s financial statements has not yet been determined.

2. CASH

At December 31, 2018, the City Court had cash and interest-bearing deposits (book balances) totaling \$1,929,899 for governmental and fiduciary funds.

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 following summary of deposit balances (bank balances) at December 31, 2018, and the related federal insurance and pledged securities were as follows:

Bank balances	\$ 2,026,613
Federal deposit insurance	\$ 250,000
Pledge securities	2,917,328
Total federal insurance and pledged securities	\$ 3,167,328

As of December 31, 2018, the City Court’s total bank balances were fully insured or collateralized with securities held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties, and, therefore, not exposed to custodial credit risk.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

3. RESTRICTED ASSETS - CASH

Restricted assets described in Note 1(F) as of December 31, 2018 were as follows:

Cash deposits:

Judicial building fund	\$	577,615
Building maintenance fund		252,515
		830,130

The City Court and the City completed the new City Court Building in 2016. The building is owned by the City. Included in the funding for the construction was a three-million-dollar loan to the City 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 the City Court of revenues collected by the City Court and deposited into the Judicial Building Fund and Judicial Maintenance Fund. The City Court will make annual payments equal to the current year's debt service requirement if funds are available. The amount paid in principal and interest payments for 2018 was \$1,044,774.

4. CAPITAL ASSETS

Capital assets and depreciation activity for the year ended December 31, 2018, were as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Governmental activities:				
Office equipment	\$ 182,105	\$ -	\$ -	\$ 182,105
Furniture and fixtures	82,827	16,480	-	99,307
Software	192,457	-	-	192,457
Total at historical costs	457,389	16,480	-	473,869
Less accumulated depreciation:				
Office equipment	76,517	14,657	-	91,174
Furniture and fixtures	32,741	6,272	-	39,013
Software	-	19,685	-	19,685
Total accumulated depreciation	109,258	40,614	-	149,872
Governmental activities capital assets, net	\$ 348,131	\$ (24,134)	\$ -	\$ 323,997

Depreciation was charged to governmental functions in the amount of \$40,614 for the year ended December 31, 2018.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS

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.

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.

The MERS contributions are accounted for under the City of Lake Charles in the GASB 68 report, as such the City of Lake Charles has recorded the total net pension liability, for both the City and the City Court's portion. As such, the City Court has not recorded MERS liabilities, inflow, outflows or activity in the financial statements for the City Court.

Plan description – LASERS

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.

Retirement Benefits

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. The rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, or at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. 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 depending on the applicable plan. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

Retirement Benefit - Continued

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

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, after 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.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, 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. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

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 for benefits varies depending upon the member's employer and service classification.

Deferred Retirement Options

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

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

Deferred Retirement Options - Continued

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 select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Disability Benefits

Generally, active members 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

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 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.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member’s spouse must have been married for at least one year before death.

Permanent Benefit Increases/Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System 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 by the State Legislature.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary, and along with employer contributions are remitted to LASERS by participating employers. The rates in effect during the year ended December 31, 2018 for the Judges hired after 2011 was 11.50% for the employee rate and 40.10% for the employer rate.

The City Court contractually required composite contribution rate for the year ended December 31, 2018 was 11.5% and 13.0% for employees hired after January 1, 2011 of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the City Court were \$45,977 for the year ended December 31, 2018.

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

At December 31, 2018, the Employer reported a liability of \$583,854 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City Court proportion of the Net Pension Liability was based on a projection of the City Court long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018 the Agency's proportion was .00856%, which was a decrease of .00015% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City Court recognized pension expense of \$50,093 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$2,428.

At December 31, 2018, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

	Deferred Outflows of Recourses	Deferred Inflows of Recourses
Differences between expected and actual experience	\$ -	\$ 6,547
Changes in assumptions	5,941	-
Net difference between projected and actual earnings on pension plan investments	7,571	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	18,271
Employer contributions subsequent to measurement date	16,531	-
Total	\$ 30,043	\$ 24,818

The \$16,531 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,

	LASERS
2019	\$ 11,653
2020	(2,156)
2021	(14,268)
2022	(2,137)
Total	\$ (6,908)

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

LASERS

Actuarial cost method	Entry Age Normal Cost	
Actuarial Assumptions:		
Expected remaining service lives	3 years	
Investment rate of return	7.65% per annum net of investment expenses*	
Inflation rate	2.75%	
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>	
Termination, Disability, and Retirement	Termination, disability and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.	
Salary increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:	
	Type	Lower to Upper Range
	Regular	
	Regular	3.8%-12.8%
	Judges	2.8% - 5.3%
	Corrections	3.4% - 14.3%
	Hazardous Duty	3.4% - 14.3%
	Wildlife	3.4% - 14.3%
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.	

*The investment rate of return used in the actuarial valuation for funding purposes was 8.05%, recognizing an additional 40 basis points for gain-sharing and 15 basis points to offset administrative expenses. The net return available to fund regular plan benefits is 7.83%, which is reasonably close to the 7.65% discount rate. Therefore, we conclude that the 7.65% discount is reasonable.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. RETIREMENT BENEFITS – Continued

The 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83% for 2018. Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	0%	-0.48%
Domestic Equity	25%	4.31%
International Equity	32%	5.26%
Domestic Fixed Income	8%	1.49%
International Fixed Income	6%	2.23%
Alternative Investments	22%	7.67%
Risk Parity	7%	4.96%
Total Fund	100%	5.40%

Discount Rates:

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions 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 pension plan’s actuary. Based on those assumptions, the pension plan’s fiduciary net position was 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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following presents the Employer’s proportionate share of the Net Pension Liability using the discount rate of 7.65%, as well as what the Employer’s proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Change in Discount Rate: June 30, 2018		
	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Employer's proportionate share of the net pension liability (asset)	452,076	583,854	736,862

As of December 31, 2018, the City Court does not have a payable to the system

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

6. LOUISIANA REVISED STATUTES CONCERNING THE ADVANCED COURT COST AGENCY FUND

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court 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.

7. CHANGES IN AGENCY FUND BALANCE

A summary of changes in agency fund unsettled deposits follows:

Deposits held for disposition of civil cases at beginning of year	\$ 551,361
Deposits	1,278,414
Disbursements	<u>(1,186,291)</u>
Deposits held for disposition of civil cases at end of year	<u><u>\$ 643,484</u></u>

8. RISK MANAGEMENT

The City Court is exposed to risks of loss in the areas of professional liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

9. RELATED PARTY TRANSACTIONS

The accompanying financial statements do not include certain portions of the City Court's expenses paid directly by other governmental entities. The City pays the salaries, payroll taxes, insurances for the City Court.

10. COMMITMENTS

At year end, the City Court had no commitments outstanding.

11. LITIGATIONS AND CLAIMS

The City Court is not involved in any material matters of pending or threatened litigation as of December 31, 2018.

12. SUBSEQUENT EVENTS

Management of the City Court is not aware of any subsequent events through the date of the independent auditors' report, which is the date the financials were available to be issued, for events requiring recording or disclosures in the financial statement for the year ended December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY COURT OF
LAKE CHARLES, LOUISIANA

GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (GAAP BUDGETARY BASIS) - BUDGET TO ACTUAL

For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 60,000	\$ 56,500	\$ 56,370	\$ (130)
Court costs and fines	102,150	71,500	71,431	(69)
Interest income	1,360	2,200	2,438	238
Miscellaneous	10,600	10,200	9,846	(354)
Total revenues	<u>174,110</u>	<u>140,400</u>	<u>140,085</u>	<u>(315)</u>
Expenditures:				
Bank service charges	8,300	5,800	6,417	(617)
Building expense	40,000	65,000	48,144	16,856
Dues and subscriptions	8,144	10,265	7,644	2,621
Maintenance	240	240	240	-
Miscellaneous	1,213	999	8,218	(7,219)
Office expense	25,138	36,119	35,861	258
Professional development and training	53,929	78,406	67,929	10,477
Rent	2,088	2,088	2,088	-
Retirement	76,300	100,212	80,987	19,225
Salaries	166,813	180,874	177,450	3,424
Taxes - payroll	14,500	28,000	15,304	12,696
Telephone	4,336	6,500	4,730	1,770
Capital Outlay	-	-	16,480	(16,480)
Total expenditures	<u>401,001</u>	<u>514,503</u>	<u>471,492</u>	<u>43,011</u>
Excess (deficiency) of revenue and other sources over expenses and other uses	(226,891)	(374,103)	(331,407)	(43,326)
Fund balance - beginning	<u>309,283</u>	<u>309,283</u>	<u>309,283</u>	<u>-</u>
Fund balance - ending	<u>\$ 82,392</u>	<u>\$ (64,820)</u>	<u>\$ (34,245)</u>	<u>\$ (43,326)</u>

CITY COURT OF
LAKE CHARLES, LOUISIANA

GOVERNMENTAL FUNDS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (GAAP BUDGETARY BASIS) - BUDGET TO ACTUAL

For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 350,000	\$ 356,000	\$ 355,764	\$ (236)
Interest income	15,640	25,300	26,455	1,155
Miscellaneous	-	-	93	93
Judicial building collections	205,000	160,000	157,210	(2,790)
Judicial building maintenance collections	50,000	41,000	40,995	(5)
Total revenues	<u>620,640</u>	<u>582,300</u>	<u>580,517</u>	<u>(1,783)</u>
Expenditures:				
Dues and subscriptions	1,007	1,269	901	368
Miscellaneous	8,120	6,687	6,342	345
Office expense	513	737	900	(163)
Salaries	156,491	158,626	158,626	-
Telephone	1,664	1,738	1,738	-
Intergovernmental transfer	216,780	1,045,000	1,044,774	226
Total expenditures	<u>384,574</u>	<u>1,214,057</u>	<u>1,213,281</u>	<u>(776)</u>
Excess (deficiency) of revenue and other sources over expenses and other uses	236,066	(631,757)	(632,764)	(1,007)
Fund balance - beginning	<u>1,934,169</u>	<u>1,934,169</u>	<u>1,934,169</u>	<u>1,934,169</u>
Fund balance - ending	<u>\$ 2,170,235</u>	<u>\$ 1,302,412</u>	<u>\$ 1,301,405</u>	<u>\$ 1,933,162</u>

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Year Ended December 31, 2018

<u>Plan Year</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of it's Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
LASER:					
2018	0.08560%	\$ 583,854	\$ 116,396	501.6093%	64.3
2017	0.00871%	\$ 613,012	\$ 156,491	391.7235%	62.5
2016	0.00582%	\$ 669,116	\$ 153,385	436.2330%	57.7
2015	0.00600%	\$ 555,751	\$ 151,301	367.3148%	62.5

*This schedule will contain ten years of historical information once such information becomes available.

See accompanying independent auditors' report and the accompanying notes to the required supplemental schedules.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

For the Year Ended December 31, 2018

Plan Year	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Efficiency (Excess)	Employer's Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
LASER:					
2018	\$ 63,016	\$ 63,016	-	\$ 158,626	39.73%
2017	60,152	60,152	-	156,491	38.44%
2016	58,327	58,327	-	153,385	38.03%
2015	57,966	57,966	-	151,301	38.31%

*This schedule will contain ten years of historical information once such information becomes available.

See accompanying independent auditors' report and the accompanying notes to the required supplemental schedules.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the year ended December 31, 2018

1. BUDGET PRACTICES

- A. The proposed budget is prepared and submitted to the City Court Judges for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
- B. The proposed budget is made available for public inspection.
- C. The budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- D. All budgetary appropriations lapse at the end of each fiscal year.
- E. The budget is adopted on a basis consistent with GAAP. Budgeted amounts are as originally adopted or as finally amended by the Board.

2. PENSION PLAN

Changes of Assumptions - Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Amounts reported in the year ended December 31, 2018 for the Louisiana State Employees' Retirement System reflect an adjustment in the discount rate used to measure the total pension liability. The discount rate for the System was reduced by 0.05 % to 7.65% as of the valuation date December 31, 2018.

SUPPLEMENTAL INFORMATION

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD

For the Year Ended December 31, 2018

Agency Head Name: Honorable John S. Hood

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 151,943
Benefits - Insurance	9,451
Benefits - Taxes	1,221
Benefits - Retirement	60,929
Travel	<u>10,716</u>
Total	<u><u>\$ 234,260</u></u>

Agency Head Name: Honorable Jamie B. Bice

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 151,943
Benefits - Insurance	7,212
Benefits - Taxes	1,959
Benefits - Retirement	59,714
Travel	<u>2,575</u>
Total	<u><u>\$ 223,403</u></u>

COMPLIANCE AND INTERNAL CONTROL



Langley, Williams & Company, L.L.C.

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

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

We 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, 2018, and the related notes to the financial statements, which collectively comprise the City Court of Lake Charles, Louisiana's basic financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan that we consider to be significant deficiencies. We consider item 01-18 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, item 02-18.

City Court's Response to Findings

City Court's response to the findings identified in our audit are described in the accompanying Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan. The City Court's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly we 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.

Joseph, Williams & Co., LLP

Lake Charles, Louisiana
June 28, 2019

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST

Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiency identified not considered
to be a material weakness? Yes None reported

Noncompliance in accordance with Governmental Auditing standards? Yes No

CITY COURT OF
LAKE CHARLES, LOUISIANA

SUMMARY SCHEDULE OF CURRENT AND PRIOR YEAR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN (continued)

For the Year Ended December 31, 2018 and 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (12/31/18)						
Internal Control:						
01 -18	Unknown	Effective internal control required adequate segregation of duties among client personnel. 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.	NA	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 relate to expenditures and periodic review of bank reconciliations.	Rebecca Liles	N/A
Compliance:						
02 -18	12/31/2018	Management has not filed a separate budget for the special revenue funds.	N/A	Effective immediately, a separate budget will be prepared and advertised for both the general and special revenue funds.	Rebecca Liles	6/27/2018
Prior year (12/31/2017)						
Internal Control:						
01 -17	Unknown	Effective internal control required adequate segregation of duties among client personnel. 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.	NA	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 relate to expenditures and periodic review of bank reconciliations.	Rebecca Liles	N/A
Compliance:						
02 -17	12/31/2017	The audit report was to be filed with the Louisiana Legislative Auditor by June 30, 2018. The audit report was not issued until November 30, 2018.		There was extenuating circumstances which resulted in the failure to meet the original deadline. The initial auditor passed away which resulted in a delay to complete the audit procedures and finish the report. An extension was obtained from the Legislative Auditor until November 30, 2018.	Rebecca Liles	N/A



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

City Court of Lake Charles
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by City Court of Lake Charles ("City Court") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period from January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written Policies and Procedures - Continued

- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Because the City Court is a component unit of the City of Lake Charles ("City"), the City Court adopts the policies and procedures of the City where their own policies and procedures are lacking sufficient detail. We reviewed the SAUP report of the City for the year ended 9/30/2018 noting that there was no exception for the SAUP #1.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The Judges are elected officials. No monthly meetings or minutes are maintained, as such this procedure is not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

We obtained a list of bank accounts from management and management's representation that the list was complete. Once obtained we selected the month of December for testing for five of the seven accounts.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

There were no exceptions noted as a result of applying this procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Exception: In reviewing the reconciliations, we found that a member of management who does not handle cash, post ledgers, or issue checks has not signed off as reviewed on each bank reconciliation.

Management's response: Management is in the process of updating their procedures to include the review and sign off on each bank reconciliation by either the judges or the judicial administrator. The compensating control for this procedure is the fact that the judges are required to sign all check payments and they have access to the bank statements at any time to review.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exception: In reviewing the reconciliations, we found that there was no documentation reflecting research into the items outstanding for more than 12 months from the statement closing date for one of the accounts. There were 19 transactions totaling \$1,036.58 that were outstanding for more than 12 months.

Management's response: Management is in the process of updating their procedures to include the written documentation of research of reconciling items outstanding for more than 12 months.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of all deposit sites for the fiscal period and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

There were no exceptions noted as a result of applying this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

There were no exceptions noted as a result of applying this procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

There were no exceptions noted as a result of applying this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

There were no exceptions noted as a result of applying this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees are considered employees of the City, as such we reviewed the SAUP report of the City for the year ended 9/30/2018 noting that there was no exception for the SAUP #6.

Collections - Continued

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

There were no exceptions noted as a result of applying this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

There were no exceptions noted as a result of applying this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

There were no exceptions noted as a result of applying this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

There were no exceptions noted as a result of applying this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

There were no exceptions noted as a result of applying this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

We obtained a listing of disbursements and management's representation that the list was complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) - Continued

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Exception: There is no documentation to support the fact that two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges.

- b) At least two employees are involved in processing and approving payments to vendors.

Exception: There is no documentation to support the fact that two employees are involved in processing and approving payments to vendors.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Exception: The individual responsible for processing payments is allowed to add vendors to the system.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges. Management is in the process of implementing a periodic review of the vendor listing.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

There were no exceptions noted as a result of applying this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

There were no exceptions noted as a result of applying this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) - Continued

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exception: There was no evidence of approval prior to ordering and no review noted on the invoice for any of the five items selected for testing.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained a listing of all active credit cards and management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Exception: Credit card statements and supporting documentation are not signed as reviewed and approved for either of the statements selected.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no exceptions noted as a result of applying this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards - Continued

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exception: There were three transactions without documentation of the business/public purpose. Of these transactions, there was one transaction without a supporting invoice.

Management's response: Management is in the process of updating their procedures to document the business purpose for credit card charges. The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained a listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

When applicable to the sample selected, there were no exceptions noted as a result of applying this procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

There were no exceptions noted as a result of applying this procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

There were no exceptions noted as a result of applying this procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exception: None of the transactions selected had evidence of review and approval of someone other than the person receiving the reimbursement. We did verify that the person receiving the reimbursement did not sign the check.

Management's response: The City Court has control activities over the approval of payment for purchases. These controls include the review of check payments by the Judges and the person receiving the reimbursement is not one of the check signers.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Obtained a listing of all agreements/contracts for the fiscal period and management's representation that the listing is complete.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

When applicable to the sample selected, there were no exceptions noted as a result of applying this procedure.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

There were no exceptions noted as a result of applying this procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

None of the selected contracts were amended during the fiscal period making this procedure not applicable.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no exceptions noted as a result of applying these procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of all employees/elected officials employed during the fiscal period and management's representation that the listing is complete.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

These procedures are not applicable as the City Court employees are paid by the City. We have confirmed with the City that these employees are included in their population for the City's SAUP. Supplemental pay at the City Court is based on the same hours submitted to the City.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

See above note.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

See above note.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

There are no termination payments made for supplemental pay, as such this procedure is not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no exceptions noted as a result of applying this procedure.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

These procedures are not applicable as the City Court employees are paid by the City. We have confirmed with the City that these employees are included in their population for the City’s SAUP.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

See above note.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No debt was issued during the fiscal period. Therefore, this procedure is not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No debt was issued during the fiscal period. Therefore, this procedure is not applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the City Court did not have any misappropriations of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The required notices were posted on the City Court’s premises and website.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Langley, Williams & Co. LLC
Lake Charles, Louisiana
June 28, 2019