

**NEW ORLEANS TRAFFIC COURT**

**Financial Statements as of December 31, 2013  
and for the Year Then Ended  
and Independent Auditors' Report  
and Supplementary Information  
and Other Independent Auditors' Report**

**NEW ORLEANS TRAFFIC COURT  
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Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the New Orleans Traffic Court (the Traffic Court), as of and for the year ended December 31, 2013, which collectively comprise the Traffic Court's basic financial statements as listed in the table of contents, and the related notes to financial statements.

### 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 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.

4330 Dumaine Street  
New Orleans, LA 70119  
504-833-2436(O) • 504-484-0807(F)

200-B Greenleaves Blvd.  
Mandeville, LA 70448  
985-626-8299(O) • 985-626-9767(F)

900 Village Lane  
P. O. Box 50, Pass Christian, MS 39571  
985-626-8299(O) • 985-626-9767(F)

Limited Liability Company  
[www.gzacpa.com](http://www.gzacpa.com)

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of New Orleans Traffic Court as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 27 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 on our consideration of the Traffic Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Traffic Court's internal control over financial reporting and compliance.

*Gurtner Zuniga Abney, LLC*

New Orleans, Louisiana  
April 30, 2014

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

Management's discussion and analysis (MD&A) of the New Orleans Traffic Court (Traffic Court) financial performance is designed to provide an overview of the financial activities as of and for the fiscal year ended December 31, 2013. This information should be read in conjunction with the basic financial statements and the accompanying notes to financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Government-Wide Financial Statements**

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

The Statement of Activities reflects the changes in net position. Net position, the difference between assets and liabilities, is one way to measure the financial health of an entity. Over time, increases or decreases in net asset are indicators of whether an entity's financial health is improving or deteriorating.

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

**Fund Financial Statements**

Fund financial statements report detailed information on the Traffic Court maintained by the Court's office. This fund is established as mandated by La R.S 13:2507.1.

The Traffic Court uses governmental funds for basic services. Governmental funds focus on how money flows into and out of the operating accounts and reflect the balances left at year-end that are available for spending. These funds are reported under the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash.

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

The governmental fund statements provide a detailed, short-term view of the general government operations and the basic services it provides. Governmental fund information helps assist in determining whether there are more or fewer financial resources that can be spent in the near future to finance Traffic Court programs.

**FINANCIAL HIGHLIGHTS**

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

Total assets as of December 31, 2013 were \$912,857 and total liabilities were \$2,011,423. As of December 31, 2013, The New Orleans Traffic Court had an unrestricted net position of (\$1,161,591) representing the portion that is deficient to maintain the continuing obligations to citizens. This accumulated deficit is primarily a result of operating deficits in 2012 and 2011, lack of appropriations from the City of New Orleans since 2010, and a significant net asset transfer of funds to the City of New Orleans in 2011 as detailed below:

- Program expenses exceeded program revenues in the current year by \$76,660
- The 2012 program expenses exceeded revenues by \$697,023.
- Program expenses declined \$644,256 from 2012 due to reductions in third party accounting costs and payroll costs.
- During 2011, the Traffic Court transferred funds in unrestricted net position of \$2,405,000 to the City of New Orleans, per their request to assist with balancing the City's own general operating fund deficit.
- Historically, on an annual basis, through fiscal 2010, the Traffic Court received an appropriation from the City of New Orleans for the support of the Traffic Court operations of approximately \$900,000 per year. This appropriation has not occurred from 2011 to the present.

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

**FINANCIAL ANALYSIS OF THE TRAFFIC COURT AS A WHOLE (GWFS)**

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

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

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

**Condensed Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percentage Change</u>
Current and other assets	\$ 849,832	\$ 292,199	\$ 557,633	190.84%
Capital assets (net of accumulated depreciation)	<u>63,025</u>	<u>102,330</u>	<u>(39,305)</u>	(38.41)%
Total assets	912,857	394,529	518,328	131.38%
Current liabilities	<u>2,011,423</u>	<u>1,417,725</u>	<u>593,698</u>	41.88%
Total liabilities	2,011,423	1,417,725	593,698	41.88%
Invested in capital assets	63,025	102,330	(39,305)	(38.41)%
Unrestricted net position	<u>(1,161,591)</u>	<u>(1,125,526)</u>	<u>(36,065)</u>	(3.20)%
Total net position	<u>\$ (1,098,566)</u>	<u>\$ (1,023,196)</u>	<u>\$ (75,370)</u>	(7.37)%

The Traffic Court's total assets increased by \$518,328. The increase of \$557,633 in current and other assets was due to an increase in accrued ticket revenue and prepaid expenses. The decrease in capital assets of \$39,305 was due to 2013 depreciation expense of \$66,981, a transfer of four vehicles to the City of New Orleans, with a net book value of \$5,589, offset by capital asset purchases capitalized of \$33,265. The increase of \$593,698 in current liabilities was mainly due to an increase in accrued payroll liabilities due to the City of New Orleans offset by decreases in accounts payable and compensated absences.

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

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percentage Change</u>
Total program revenue	\$ 3,879,604	\$ 3,903,496	\$ (23,892)	(0.61)%
Total program expense	<u>3,956,264</u>	<u>4,600,519</u>	<u>(644,255)</u>	(14)%
Net program income	(76,660)	(697,023)	620,363	89%
Interest earnings	<u>1,290</u>	<u>1,273</u>	<u>17</u>	1.34%
Change in net position	(75,370)	(695,750)	620,380	89.17%
Net position – beginning of year	<u>(1,023,196)</u>	<u>(327,446)</u>	<u>(695,750)</u>	(212.48)%
Net position – end of year	<u>\$ (1,098,566)</u>	<u>\$ (1,023,196)</u>	<u>\$ (75,370)</u>	(7.37)%

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

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

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balances**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percentage Change</u>
Total revenues	\$ 3,880,894	\$ 3,904,769	\$ (23,875)	(0.61)%
Expenditures:				
Current	3,923,219	4,584,211	(660,992)	(14.42)%
Capital outlay	<u>33,265</u>	<u>10,540</u>	<u>22,725</u>	215.61%
Total expenditures	<u>3,956,484</u>	<u>4,594,751</u>	<u>(638,267)</u>	(13.89)%
Net change in fund	(75,590)	(689,982)	614,393	(89.04)%
Fund balance - beginning of year	<u>(778,031)</u>	<u>(88,049)</u>	<u>(689,982)</u>	(783.63)%
Fund balance - end of year	<u>\$ (853,621)</u>	<u>\$ (778,031)</u>	<u>\$ (75,590)</u>	(9.72)%

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

The Judicial Expense Fund (JEF) continued to see a decline in revenue. The primary driver was the decline in ticket revenue as a result of a shift in focus by the New Orleans Police department and a reduction in traffic patrol officers.

The decrease in expenditures is a reflection of significant reductions in operating expenses related to the prior year in order to remediate the fund balance deficit. The overall decline in change in fund balance, \$75,590 and \$689,982 as of December 31, 2013 and 2012, respectively, is attributed to the operating expenditure reductions initiated by the Traffic Court administration.

**JUDICIAL EXPENSE FUND BUDGETARY HIGHLIGHTS**

**Condensed Budgetary Comparison Schedule**

	Actual	Budgeted	Variance	Percent
<b>Revenues</b>				
Fines & Fees	\$ 3,732,186	\$ 3,659,126	\$ 73,060	2.0%
Cash bond 2% forfeited	147,418	-	147,418	100.0%
Interest	1,290	1,234	56	4.5%
Total revenue	<u>3,880,894</u>	<u>3,660,360</u>	<u>220,534</u>	6.0%
<b>Expenditures</b>				
Personnel services and related benefits	3,257,533	3,207,941	49,592	1.5%
Operating services	<u>698,951</u>	<u>627,241</u>	<u>71,710</u>	6.1%
Total expenditures	3,956,484	3,835,182	121,302	3.2%
Excess of Revenue over Expenditures	<u>\$ (75,590)</u>	<u>\$ (174,822)</u>	<u>\$ 99,232</u>	56.8%

The New Orleans Traffic Court budget for January 1, 2013 to December 31, 2013 was proposed and made available for public inspection by the New Orleans Traffic Court. There were no budget amendments during the current fiscal year.

The unfavorable variance in fines and fees is primarily a result of the New Orleans Police Department writing fewer citations and the City Attorneys prosecuting approximately 1/3 of the adjudicated cases. The favorable variance of \$147,418 in bond 2% fee forfeitures is due to the settlement in the case of Owen Brightman et al Vs. Mayor Mitch Landrieu et al in 2013. The guilty cases were forfeited to Judicial Expense Fund (JEF) in accordance with the settlement.

The unfavorable variance of \$121,302 in total expenses is primarily due to an increase in postage of approximately \$35,000 as collection efforts increased for outstanding traffic citations, an increase in bank service charges of approximately \$32,000 as a result expanded processing of electronic payments and a \$27,000 increase in computer supplies and support over the prior year.

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**CAPITAL ASSETS**

The Traffic Court's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2013 was \$63,025. Summary of capital assets is detailed below:

Computer software	\$	450,357
Vehicles		93,983
Machinery and equipment		<u>20,853</u>
Total cost		565,192
Accumulated depreciation		<u>(502,168)</u>
Net capital assets	<b>\$</b>	<b><u>63,025</u></b>
Depreciation expense	<b>\$</b>	<b><u>66,981</u></b>

**LONG TERM OBLIGATIONS**

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

**ECONOMIC FACTORS AFFECTING OPERATIONS, LIQUIDITY AND 2014'S BUDGET**

The Traffic Court's office is primarily financed by court costs assessed on traffic citations and financial support from the City of New Orleans (the City). The setting of court costs assessed on traffic citations is regulated by the Louisiana Revised Statutes and the Code of Criminal Procedures. Of primary importance in setting the 2013 budget was prior years' operations as it relates to anticipated revenue sources and operating expenses. The Traffic Court's management and Judges en banc considered many factors when setting the fiscal year 2013 budget. The 2014 budgeted revenues are \$4,232,144 and budgeted expenses are \$4,520,053, yielding an operating deficit of (\$287,909) which excludes funding advanced or provided by the City of New Orleans. The main expense of the Traffic Court is salaries and benefits expense which represents \$3,218,010 of the total \$3,956,263 in expenses for governmental activities in 2013.

The Court is fiscally dependent on the City and payments from traffic violations. The City provides courthouse maintenance and pays for utilities. Although the Court has an accumulated deficit in its net position of (\$1,098,566) at December 31, 2013, pursuant to Louisiana Statute (LS) 13:2507 §250 the City of New Orleans shall fund the salaries of the employees of the Court which represents approximately 80% of the operating budget annually. The Court has not requested reimbursement from the City for employee salaries nor has it received any appropriations from the City since 2011 for employee salaries; rather it has been operating solely based on the revenues generated in the JEF.

**NEW ORLEANS TRAFFIC COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

During 2013, Traffic Court applied for and was awarded a grant totaling approximately \$300,000 inclusive of the Court's matching portion. The Court's are eligible to receive approximately \$240,000 to replace the antiquated case management system which has historically resulted in an inefficient case management process as it relies heavily on manual paper driven processes. The Traffic Court started this system implementation process and expects it to be completed before the end of fiscal 2014.

**CONTACTING FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the New Orleans Traffic Court finances and to show the Traffic Court's accountability for the money it receives. If you have questions about this report or need additional information, please contact Debra A. Hall, Judicial Administrator, New Orleans Traffic Court, 727 South Broad Street, New Orleans, LA 70119.

**NEW ORLEANS TRAFFIC COURT  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 400,466
Due from others	440,634
Prepaid expenses	<u>8,732</u>

Total current assets	849,832
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CAPITAL ASSETS, net of accumulated depreciation	<u>63,025</u>
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TOTAL ASSETS	912,857
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	14,825
Due to City of New Orleans - accrued payroll liabilities	1,688,628
Compensated absences	<u>307,970</u>

TOTAL LIABILITIES	2,011,423
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**NET POSITION**

Net investment in capital assets	63,025
Unrestricted (deficit)	<u>(1,161,591)</u>

TOTAL NET POSITION (DEFICIT)	<u><u>\$ (1,098,566)</u></u>
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See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**GOVERNMENTAL ACTIVITIES**

PROGRAM REVENUES

Ticket charges	\$ 3,446,488
Bond forfeitures	176,796
Reinstate fees	106,275
Bond 2% fee forfeited to JEF	147,418
Miscellaneous fees	<u>2,627</u>
 Total program revenues	 3,879,604

GENERAL REVENUES

Interest earnings	<u>1,290</u>
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EXPENSES

Personnel services and related benefits	3,218,009
Operating services	<u>738,255</u>
 Total expenses	 3,956,264

CHANGE IN NET POSITION (75,370)

NET POSITION (DEFICIT) - Beginning of year (1,023,196)

NET POSITION (DEFICIT) - End of year \$ (1,098,566)

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
BALANCE SHEET - GOVERNMENTAL FUND  
AS OF DECEMBER 31, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 400,466
Due from others	440,634
Prepaid expenses	<u>8,732</u>

**TOTAL ASSETS** **\$ 849,832**

**LIABILITIES AND FUND BALANCE (DEFICIT)**

**LIABILITIES**

Accrued payroll liabilities	\$ 1,688,628
Accounts payable	<u>14,825</u>

**TOTAL LIABILITIES** 1,703,453

**FUND BALANCE (DEFICIT)**

Unassigned (deficit)	<u>(853,621)</u>
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**TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)** **\$ 849,832**

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2013**

FUND BALANCES - total governmental fund	\$	(853,621)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds		63,025
Accrued compensated absences are not recorded on fund financials because they are not due and payable at December 31, 2013		<u>(307,970)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<b>\$</b>	<b><u><u>(1,098,566)</u></u></b>

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>REVENUES</b>	
Ticket fees	\$ 3,446,488
Bond forfeitures	176,796
Reinstate fees	106,275
Bond 2% Fee Forfeitures	147,418
Interest earnings	1,290
Other miscellaneous	<u>2,627</u>
Total revenues	3,880,894
<b>EXPENDITURES</b>	
General government:	
Personnel services and related benefits	3,257,533
Operating services	<u>665,686</u>
Total current expenditures	3,923,219
<b>CAPITAL OUTLAY</b>	<u>33,265</u>
Total expenditures	3,956,484
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(75,590)</b>
<b>FUND BALANCE (DEFICIT) - Beginning of year</b>	<u>(778,031)</u>
<b>FUND BALANCE (DEFICIT) - End of year</b>	<u><u>\$ (853,621)</u></u>

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

NET CHANGES IN FUND BALANCE - total governmental fund \$ (75,590)

Amounts reported for governmental activities in the statement of revenues, expenses, and changes in net position (governmental-wide financial statements) are different because:

Current year decrease in compensated absences are not recorded on fund financials because they are not due and payable in the current year 39,524

Governmental funds report capital outlays as expenditures in the individual fund. Governmental activities report depreciation expense to allocate the cost of those

Capital asset purchase capitalized	33,265
Depreciation expense	(66,981)
Loss on transfer of vehicles to City of New Orleans	(5,588)
	(75,370)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (75,370)

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
BALANCE SHEET - AGENCY FUNDS  
AS OF DECEMBER 31, 2013**

	<u>Fines and Fees Fund</u>	<u>Cash Bonds Fund</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 713,066	\$ 779,387	\$ 1,492,453
<b>TOTAL ASSETS</b>	<b><u>\$ 713,066</u></b>	<b><u>\$ 779,387</u></b>	<b><u>\$ 1,492,453</u></b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Fines and fees	\$ 468,645	\$ -	\$ 468,645
Bonds held	-	508,259	508,259
Due to others	244,421	271,128	515,549
<b>TOTAL LIABILITIES</b>	<b><u>\$ 713,066</u></b>	<b><u>\$ 779,387</u></b>	<b><u>\$ 1,492,453</u></b>

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
COMBINED BALANCE SHEET - AGENCY FUNDS  
AS OF DECEMBER 31, 2013**

	<u>January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2013</u>
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,624,642	\$ 11,336,714	\$ (11,468,903)	\$ 1,492,453
<b>TOTAL ASSETS</b>	<b><u>\$ 1,624,642</u></b>	<b><u>\$ 11,336,714</u></b>	<b><u>\$ (11,468,903)</u></b>	<b><u>\$ 1,492,453</u></b>
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Fines and fees	\$ 708,091	\$ 10,830,187	\$ (10,825,212)	\$ 713,066
Bonds held	640,314	572,766	(704,821)	508,259
Due to others	276,237	166,887	(171,996)	271,128
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,624,642</u></b>	<b><u>\$ 11,569,840</u></b>	<b><u>\$ (11,702,029)</u></b>	<b><u>\$ 1,492,453</u></b>

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2013</u>
<b>FINES AND FEES</b>				
Cash and cash equivalents	\$ 708,091	\$ 10,781,260	\$ (10,776,285)	\$ 713,066
Fines and fees assets	<u>\$ 708,091</u>	<u>\$ 10,781,260</u>	<u>\$ (10,776,285)</u>	<u>\$ 713,066</u>
Fines and fees	503,272	10,790,585	(10,825,212)	468,645
Due to others	204,819	39,602	-	244,421
Fines and fees liabilities	<u>\$ 708,091</u>	<u>\$ 10,830,187</u>	<u>\$ (10,825,212)</u>	<u>\$ 713,066</u>
<b>BONDS HELD</b>				
Cash and cash equivalents	\$ 916,551	\$ 555,454	\$ (692,618)	\$ 779,387
Bond held assets	<u>\$ 916,551</u>	<u>\$ 555,454</u>	<u>\$ (692,618)</u>	<u>\$ 779,387</u>
Bonds held	640,314	572,766	(704,821)	508,259
Due to Others	276,237	166,887	(171,996)	271,128
Bonds held liabilities	<u>\$ 916,551</u>	<u>\$ 739,653</u>	<u>\$ (876,817)</u>	<u>\$ 779,387</u>

See independent auditors' report and accompanying notes to financial statements.

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**Overview** – As provided by Louisiana Revised Statute RS 13:2501.1 and Article III, Section 154-101 of the New Orleans Municipal Code, the New Orleans Traffic Court (Traffic Court or Court) will consist of four judges appointed, selected and qualified under article VII, section 94 of the Louisiana Constitution, the enabling ordinances enacted by the city council, and the duly elected successors of such judges, and such other judges who may be created and authorized under the state constitution. The jurisdiction and the rules of the court are provided as follows:

- (a) The jurisdiction of the Traffic Court shall extend to the trial of offenses against the ordinances of the city regulating traffic upon the public streets of the city and such other jurisdiction as may be hereafter conferred upon it by the state constitution.
- (b) The Court shall further have the power to adopt such rules and regulations governing the operation thereof as may be necessary for the proper functioning of the court.

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

**Reporting entity** – Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, (GASB 14) as amended by GASB 39 establishes standards for defining and reporting on the financial entity. The focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

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

The accompanying financial statements present information of the Traffic Court's Judicial Expense Fund as established by Louisiana Revised Statute RS 13:2507.1 and on behalf payments as described in the accompanying notes. The financial statements do not present information on the City, the general government services provided by that governmental unit, or the other governmental units.

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

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

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

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

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

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

NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

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

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

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

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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

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

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

NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

On January 1, 2011, the Traffic Court adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Traffic Court is bound to honor constraints on the specific purpose for which amounts in the funds can be spend. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Traffic Court to assess payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Traffic Court. Those committed amounts cannot be used for any other purpose unless the Traffic Court removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constrained by the Traffic Court’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

The Traffic Court has no nonspendable, committed, or assigned fund balances as of December 31, 2013.

**Budget practices** – The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the Traffic Court Judges. The budget is legally adopted by the Traffic Court and all appropriations lapse at year end. For the Judicial Expense Fund, the Traffic Court has established a budget for service fees, court allocation of costs and salaries. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. There were no amendments to the budget in this fiscal year.

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Computers	3 years
Office Equipment	3 years
Furniture & Fixtures	3 years
Automobiles	5 years
Leasehold Improvements	20 years

**Compensated absences** – Employees of the Traffic Court's office earn 13 weeks of vacation leave per year based on years of service. The vacation time accrues on an employment anniversary date basis. Employees with a start date of December 31, 1978 or prior may accrue up to 90 days of leave and employees after December 31, 1978 may accrue up to 45 days. Accrued leave in excess of this is converted to sick leave. In addition, employees are awarded bonus leave days from 3 bonus days to 12 bonus days based on years of services from 3 to 21 years. The accrued accumulated leave which had been unused by employees at December 31, 2013 has been included in the government - wide financial statements.

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

**NOTE B – CASH AND CASH EQUIVALENTS**

At December 31, 2013, the Traffic Court had cash in checking accounts and certificate of deposit accounts (book balances) totaling \$1,892,118 and bank balances for these accounts were \$1,909,914. The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2013, \$2,348,878 of securities was pledged by the fiscal agent bank to collateralize the Traffic Court's deposits.

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to the account holder. As of December 31, 2013, \$1,659,914 of the Traffic Court's bank balance was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Traffic Court's name. These deposits are secured from risk by \$250,000 of federal deposit insurance on the checking accounts at December 31, 2013.

The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Traffic Court that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE C – DUE FROM OTHERS**

Due from others consisted of the following at December 31, 2013:

Fines and Fees Agency Fund	\$ 244,421
Cash Bond Agency Fund	182,588
Department of Public Safety and Corrections	13,550
US District Court	<u>75</u>
	<u><b>\$ 440,634</b></u>

None of these amounts are past due ninety days or more at December 31, 2013.

**NOTE D – DUE TO OTHERS**

All salaries and benefits of the employees of Traffic Court are paid by the City of New Orleans, as required by RS 13:2507. However, the Traffic Court reimburses the City by invoice each month for these costs, as available operating cash permits. The accrued payroll liabilities at December 31, 2013 of \$1,688,628 consisted of funds due to the City of New Orleans for payroll invoice reimbursements as of December 31, 2013.

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE E – PENSION PLANS**

*City of New Orleans Employees' Retirement System*

The City of New Orleans annually charges the Court for pension costs incurred by its retirement system. Pension costs for the year ended December 31, 2013 was \$399,347. Employees of the court are allowed to participate in the City of New Orleans Employees' Retirement System (the System) and the Court is allocated a percentage of the costs annually by the City.

The System does not make separate measurements of assets and pension benefit obligations for individual entities such as Traffic Court and the actuarial/financial information as of December 31, 2013 for the System was not available at the date of the report issuance. The City of New Orleans and Traffic Court do not guarantee the benefits granted by the retirement system. Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's comprehensive annual financial report. The report may be obtained via contact with City of New Orleans Employee's Retirement System, 1300 Perdido Street, Room IE12, New Orleans, LA 70112. Telephone: (504) 658-1850; Fax: (504) 658-1602.

**NOTE F – OTHER POST-EMPLOYMENT BENEFITS**

Other post-employment benefits are incurred and paid by the City of New Orleans; therefore, the Court does not accrue a liability related to those benefits.

**NOTE G – CAPITAL ASSETS**

A schedule of changes in capital assets follows:

	January 1, 2013	Additions	Transfers of equipment to the City of New Orleans	December 31, 2013
Computers and software	\$ 417,092	\$ 33,265	\$ -	\$ 450,357
Vehicles	190,361	-	(96,379)	93,983
Machinery and equipment	20,853	-	-	20,853
Accumulated depreciation	(525,976)	(66,982)	90,790	(502,168)
Capital assets, net	<u>\$ 102,330</u>	<u>\$ (33,717)</u>	<u>\$ (5,589)</u>	<u>\$ 63,025</u>

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

**NOTE I – LEASE COMMITMENTS**

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

**NOTE J – APPROPRIATIONS FROM CITY OF NEW ORLEANS**

For the year ended December 31, 2013, there were no appropriations made by the City of New Orleans for the support of the Traffic Court's operations.

**NOTE K – OTHER REGULATORY INFORMATION**

The City of New Orleans' Office of Inspector General (OIG) performed a performance review of the New Orleans Traffic Court practices in 2010 for which they issued a report dated November 17, 2011 that identified several material deficiencies in the Traffic Court's accounting and internal control systems that have a direct impact on financial reporting. The 2012 audit report also includes these findings and management responses in the Summary Schedule of Prior Year Findings. During fiscal 2013, the Office Inspector General performed a follow-up review of the findings issued in the 2011 OIG report. The results of that report acknowledged that the Traffic Court made substantial progress in implementing the recommendations within its own control in the 2011 assessment.

The Legislative Auditor and other regulatory agencies are currently conducting investigations regarding past internal controls over financial reporting and accounting practices of the New Orleans Traffic Court and have not yet issued a final report on their investigations. The results of these investigations, if any, on current or prior financial statements is unable to be determined at this time.

**NOTE L – UNRESTRICTED DEFICIT IN NET POSITION AND FUND BALANCE**

The Court has an accumulated deficit in its net position of (\$1,098,566) and an accumulated deficit in fund balance of (\$853,621) in the accompanying statement of net assets and balance sheet – governmental fund, respectively, at December 31, 2013. As required pursuant to Louisiana Revised Statute (LS) 24:513, the Traffic Court has a plan to remediate this deficit described in the paragraphs below.

**NEW ORLEANS TRAFFIC COURT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

The Court expects to generate additional revenues from various sources beginning in 2014. The Court continues to focus on its collection efforts and expects to gain operational and accounting efficiencies with the implementation of the new case management system in late 2014. This is expected to increase revenues and decrease certain operating expenses. The City of New Orleans is actively recruiting to increase the number of police officers. This should also contribute to the number of traffic tickets issued which will in turn increase revenues.

Additionally, pursuant to LS 13:2507 section 250, all salaries for employees of the Court shall be paid by the City of New Orleans. To date, the Court has not yet requested reimbursement for salaries from the City of New Orleans in spite of the cessation in 2011 of the annual general fund appropriations for employee salaries that were received in the past. Traffic Court salaries represent approximately 80% of the annual operating budget. Of the total annual revenues that flow through the Fines and Fees Agency Fund, approximately \$11 million in 2013, the Court distributed approximately 43%, or \$4.7 million in 2013 of those funds to the City of New Orleans as required per specific state statutes and City codes. The revenues generated in the Fines and Fees Agency Fund are specifically earmarked and remitted to the City and various agencies as required by law.

Management is of the opinion that the implementation of the changes described in the preceding paragraphs will eliminate the unrestricted deficit in net position and fund balance within a period of four to nine years, between the fiscal years 2017 through 2022.

**NOTE M – SUBSEQUENT EVENTS**

The Traffic Court has evaluated subsequent events through April 30, 2014, the date which the financial statements were available to be issued. The following events occurred subsequent to December 31, 2013 and before the financial statements were available to be issued.

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**NEW ORLEANS TRAFFIC COURT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013			
	Adopted Budget FY 2013	Actuals FY 2013	Variance Favorable /(Unfavorable)	Variance Favorable /(Unfavorable)
<b>REVENUE</b>				
Fees	\$3,659,126	\$ 3,732,186	\$ 73,060	2.00%
Cash Bond 2% forfeited to JEF	-	147,418	\$ 147,418	100.00%
Interest	1,234	1,290	56	4.54%
<b>Total revenue</b>	<b>3,660,360</b>	<b>3,880,894</b>	<b>220,534</b>	<b>6.02%</b>
<b>EXPENDITURES</b>				
Salaries & fringes	3,182,781	3,220,967	(38,186)	-1.20%
Parking	20,160	17,626	2,534	12.57%
Uniforms	5,000	122	4,878	97.56%
Audit/Accounting	60,000	117,495	(57,495)	-95.82%
Office Supplies	50,000	32,401	17,599	35.20%
Office repair/maintenance		14,847	(14,847)	-100.00%
Professional Services	276,054	276,897	(843)	-0.31%
Telephone/Postage/Internet	11,000	50,570	(39,570)	-359.72%
Travel/Lodging/Mileage	25,000	28,183	(3,183)	-12.73%
Printing & reproduction	15,000	11,696	3,304	22.03%
Automotive	10,000	664	9,336	93.36%
IT/Tech Support	66,728	63,957	2,771	4.15%
Bank service charges + settlement fees	31,602	32,743	(1,141)	-3.61%
Miscellaneous	1,549	609	940	60.67%
Computer Equipment		34,486	(34,486)	
Office Equipment	25,000	29,928	(4,928)	-19.71%
Dues & subscriptions	8,000	2,431	5,569	69.61%
Advertising	2,308	759	1,549	67.10%
Terminal Leave	45,000	18,753	26,247	58.33%
Witness Fees		800	(800)	-100.00%
Professional Development		549	(549)	-100.00%
<b>Total expenditures</b>	<b>3,835,182</b>	<b>3,956,484</b>	<b>(121,302)</b>	<b>-3.16%</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ (174,822)</b>	<b>(75,590)</b>	<b>\$ (99,232)</b>	<b>-100.00%</b>
<b>NET CHANGES IN FUND BALANCE (DEFICIT)</b>		<b>(75,590)</b>		
FUND BALANCE (DEFICIT) - Beginning of year (restated)		(778,031)		
FUND BALANCE (DEFICIT) - End of year		<b>\$ (853,621)</b>		

See independent auditors' report and accompanying notes to financial statements.

**OTHER INDEPENDENT AUDITORS' REPORT**



Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans Traffic Court (Traffic Court), which comprise the governmental activities, the major fund and the remaining fund information as of and for the year ended December 31, 2013, and the related notes to financial statements, and have issued our report thereon dated April 30, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted one deficiency in internal control over financial reporting at 2013-1.

4330 Dumaine Street  
New Orleans, LA 70119  
504-833-2436(O) • 504-484-0807(F)

200-B Greenleaves Blvd.  
Mandeville, LA 70448  
985-626-8299(O) • 985-626-9767(F)

900 Village Lane  
P. O. Box 50, Pass Christian, MS 39571  
985-626-8299(O) • 985-626-9767(F)

Limited Liability Company  
[www.gzacpa.com](http://www.gzacpa.com)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Traffic Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 Traffic Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Traffic Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gurtner Zuniga Abney, LLC*

New Orleans, Louisiana  
April 30, 2014

**NEW ORLEANS TRAFFIC COURT  
SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION I – DEFICIENCY IDENTIFIED DURING THE AUDIT**

**2013-1 – Internal Controls over Proper Review and Approval of Time in the Payroll System.**

**Observation:** We noted during our testing, that there were inadequate controls over the review and approval of annual and sick leave time as it related to two senior management employees.

**Criteria:** Proper internal control procedures related to the appropriate level of review and approval of time worked and leave time is a key control that should be in place to mitigate the likelihood that fraudulent time reporting occurs and is not undetected.

**Condition:** The review and approval of time of two senior management employees of the Court was being performed by their administrative assistants, whose time they also approved, rather than by whom the senior management employees report to.

**Effect:** There is an increased risk of fraudulent time reporting if there is not control in place to ensure the appropriate level of review and approval of time occurs.

**Recommendation:** We recommend that the Court ensure that all employees' time is reviewed and approved by their direct reports, and in no instances should a subordinate level employee be approving his/her supervisors' time worked/leave time.

**Management's corrective action:** The Court has implemented a corrective action by reassigning the review/approval of these two employee's time worked/leave time to their direct reports. In addition, as a result of the new automated time keeping system implemented in the fall of 2013, there are now stronger controls over non-exempt employees related to the accuracy of tracking actual time worked as it requires a thumb print scan of the employee to clock in and out.

**SECTION II – COMPLIANCE AND OTHER MATTERS**

None noted

**NEW ORLEANS TRAFFIC COURT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION I – MATERIAL WEAKNESS IDENTIFIED DURING THE AUDIT**

**2012-1 – Internal Controls Over Financial Reporting – Accurate and Timely Reconciliation of General Ledger Accounts**

**Condition:** During our audit, we noted the Traffic Court has no procedures for the timely reconciliation of general ledger accounts. As such, the general ledger did not completely reflect the accounting transactions of the Traffic Court for the year during 2012.

**Management's Response and Corrective Action:** Resolved. Since the 2011 audit report issuance in October 2012, the Traffic Court has been in the process of reorganizing its financial/operational structure to strengthen internal controls over financial reporting. However, this progress was somewhat delayed due to the resignation of our comptroller in October of 2012. We experienced delays filling the position due to the City of New Orleans' hiring processes; however, a replacement was hired, effective June 10, 2013. During the interim, the Judicial Administrator was responsible for accounting functions which included corrective action efforts, revisions to and implementation of policies and procedures related to cash handling, cash and surety bonds, purchasing/procurement, fixed assets and segregation of duties. Additionally, in May 2013, we engaged a third party CPA firm to assist with the accounting and reconciliation of all general ledger accounts, review of all internal controls, and to assist with ensuring we addressed all of the internal control findings, including those cited by the auditor and by the City of New Orleans Office of Inspector General (OIG) that were included in the 2011 financial statements audit report.

**SECTION II – COMPLIANCE AND OTHER MATTERS**

**2012-2 – Public Bid Law Compliance**

**Observation:** There was no control in place to ensure compliance with City Ordinance or Public Bid Laws. During 2012, we noted that the Traffic Court did not follow public bid law related to materials and supplies related to an equipment rental contract. Specifically, we noted the Traffic Court entered into a 24 month lease contract with ModSpace Inc. to lease equipment for temporary court rooms and office space for anticipated renovations that were to be performed on the existing building. The total cost of the contract per the agreement for 24 months exceeded \$160,000 (installation and setup of approximately \$52,000, change orders of \$12,000 and monthly charges of approximately \$4,400). Although the Clerk of Court was able to provide some informal bid documentation in the form of internet quotes, some handwritten notes, and a faxed bid, the Court did not comply with Public Bid Law – La. R.S. 38:2211 *et seq.*

**NEW ORLEANS TRAFFIC COURT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Management Response and Corrective Action:** Resolved. The Traffic Court was not aware that they were not in compliance with the requirements of state and local public bid law. During 2013, Traffic Court implemented a process to monitor its fixed asset acquisition to ensure that they are properly recorded. Traffic Court has developed and implemented a purchasing policy to procure purchases through a competitive process.

**2012-3 – Late Submission of Audit Report to the Louisiana Legislative Auditor**

**Observation:** The Traffic Court did not file the December 31, 2012 audited financial statements within six months of the close of the fiscal year. Therefore, the Traffic Court is not in compliance with LSA-R.S.24.513.

**Management Response and Corrective Action:** Resolved. On June 5, 2013, the Court requested a 90 day extension from the Louisiana Legislative Auditor from the original filing deadline of June 30, 2013 relating to the December 31, 2012 audit. The Traffic Court obtained approval from the Louisiana Legislative Auditor's office on July 8, 2013 to submit the audit report no later than September 30, 2013. Traffic Court anticipates that the improved policies and procedures that are currently being implemented will resolve the deficiencies that caused additional time to complete the audit in the future. The 2013 audited financial statements and related required submission information were submitted timely so that the audit was completed and the information was transmitted to the Louisiana Legislative Auditor within six months of the close of the Traffic Court's next fiscal year under audit.

**2012-4 – Budget Process**

**Observation:** The Traffic Court made the budget for the year ended December 31, 2013 available to the public as required by RS 39:1307 B. No amendment to the budget was prepared or adopted when total revenues failed to meet total budgeted revenue by 5% or more.

**Management Response and Corrective Action:** Resolved. No amendments to the budget were prepared or adopted for 2012. Traffic Court ensured that there was compliance with applicable state and local law with regard to budget practices for the year ended December 31, 2013 and beyond. Traffic Court now reviews the budget each month for any necessary budget amendments.

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