

**Nineteenth Judicial District Court  
Building Commission  
Baton Rouge, Louisiana  
June 30, 2012**

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April 7, 2013

**Independent Auditor's Report**

To the Commissioners of the  
Nineteenth Judicial District Court Building Commission  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities and major funds of

**Nineteenth Judicial District Court Building Commission  
(A Component Unit of the City of Baton Rouge)**

as of and for the year ended June 30, 2012, which collectively comprise Nineteenth Judicial District Court Building Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nineteenth Judicial District Court Building Commission's management. 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and major funds of Nineteenth Judicial District Court Building Commission, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2013, on our consideration of Nineteenth Judicial District Court Building Commission'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 the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 6 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.

Yours truly,

*Hawthorn, Weymouth & Carroll, LLP*

**Nineteenth Judicial District Court Building Commission  
Management's Discussion and Analysis  
June 30, 2012**

Our discussion and analysis of the Nineteenth Judicial District Court Building Commission ("the Commission") provides an overview of the Commission's activities for the year ended June 30, 2012. Please read it in conjunction with the Commission's financial statements that begin on page 8.

**Financial Highlights**

Filing fees decreased approximately \$219,000, or 3%, in 2012 compared to 2011. These are largely civil filing fees and recordation fees with the decrease attributable to a slowing economy and other current economic conditions.

For 2012, bond holder interest and principal payments were approximately \$5.2 million and \$1.4 million. 2013 interest and principal payments will remain largely unchanged from 2012.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 8 - 9, provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund Financial Statements on pages 10 - 13, tell how governmental activities were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's governmental funds.

**Reporting on the Commission as a Whole**

Our analysis of the Commission as a whole begins on page 8. The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them and are a way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors to be considered are the number of cases handled by District Court, as well as the number of judgeships approved by the State Legislature, the real estate market and its related recordation fees with the Clerk's Office and the State's economic condition, to better assess the overall health of the Commission.

Currently, the Commission has only governmental activities that provide for equipment, furnishings, office space and debt service related to the proper administration of the Nineteenth Judicial District Court Building Commission, which are primarily civil filing fees and recordation fees that are used to finance these activities.

**Nineteenth Judicial District Court Building Commission  
Management's Discussion and Analysis  
June 30, 2012**

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2012, the Commission had approximately \$121.6 million invested in capital assets including the courthouse building, computer equipment, office equipment, furniture and fixtures, and kitchen equipment. The following table presents capital assets, net of accumulated depreciation, at June 30, 2012:

Building and improvements	\$118,567,388
Office equipment	221,634
Computer equipment and software	2,130,182
Furniture and fixtures	632,579
Kitchen equipment	<u>81,100</u>
Total capital assets, net	<u>\$121,632,883</u>

*Debt*

The Commission had \$94,805,000 in outstanding bond principal due to its debt holders at June 30, 2012.

**Economic Factors and Next Year's Budgets and Rates**

The Commission anticipates a stabilized revenue collection of approximately \$6.6 million for the year ended June 30, 2013.

**Request for Information**

Questions regarding this report or the need for additional financial information, please contact the Director of Finance at the Nineteenth Judicial District Court Building Commission, 300 North Boulevard, Suite 3606, Baton Rouge, Louisiana.

## **Basic Financial Statements**

**Nineteenth Judicial District Court Building Commission**  
**Statement of Net Assets**  
**June 30, 2012**

**Assets**

Cash and cash equivalents	\$ 4,043,693
Accounts receivable, net	1,050
Receivable from other governments	382,062
Accrued interest receivable	99
Prepaid expenses	49,545
Restricted assets	
Cash and cash equivalents	12,346,234
Bond issuance costs	280,534
Capital assets	
Depreciable, net	<u>121,632,883</u>
Total assets	<u>138,736,100</u>

**Liabilities**

Accounts payable	12,000
Interest payable to bondholders	423,634
Noncurrent liabilities	
Due within one year	1,547,595
Due in more than one year	<u>95,645,780</u>
Total liabilities	<u>97,629,009</u>

**Net Assets**

Invested in capital assets, net of related debt	26,827,883
Restricted	<u>14,279,208</u>
Total net assets	<u>\$ 41,107,091</u>

The accompanying notes are an integral part of these financial statements.



**Nineteenth Judicial District Court Building Commission**  
**Statement of Activities**  
**Year Ended June 30, 2012**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Revenue (Expense)</u>
<b>Functions and Programs</b>				
Judicial court services	\$ 5,298,692	\$6,557,772	\$647,527	\$ 1,906,607
Interest and fiscal charges on long-term debt	<u>5,153,362</u>	<u>—</u>	<u>—</u>	<u>(5,153,362)</u>
Total primary government	<u>\$10,452,054</u>	<u>\$6,557,772</u>	<u>\$647,527</u>	<u>(3,246,755)</u>
<b>General Revenues</b>				
Interest				160,682
Bond premium amortization				82,595
Rent				<u>9,450</u>
Total general revenues				<u>252,727</u>
Change in net assets				(2,994,028)
<b>Net Assets</b>				
Beginning of year				<u>44,101,119</u>
End of year				<u>\$41,107,091</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<b><u>Capital Project Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$4,043,693	\$ —	\$ 4,043,693
Accounts receivable	1,050	—	1,050
Receivable from other governments	—	382,062	382,062
Accrued interest receivable	—	99	99
Restricted assets			
Cash and cash equivalents	<u>155,015</u>	<u>12,191,219</u>	<u>12,346,234</u>
Total assets	<u>4,199,758</u>	<u>12,573,380</u>	<u>16,773,138</u>
<b>Liabilities</b>			
Accounts payable	<u>12,000</u>	<u>—</u>	<u>12,000</u>
Total liabilities	<u>12,000</u>	<u>—</u>	<u>12,000</u>
<b>Fund Balances</b>			
Restricted fund balance	5,015	—	5,015
Assigned fund balance	784,268	—	784,268
Unassigned fund balance	<u>3,398,475</u>	<u>—</u>	<u>3,398,475</u>
Total fund balances	<u>\$4,187,758</u>	<u>\$12,573,380</u>	<u>\$ 16,761,138</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission**  
**Reconciliation of Governmental Funds Balance**  
**Sheet to the Statement of Net Assets**  
**June 30, 2012**

Total governmental fund balance		\$ 16,761,138
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 governmental funds.		
Government capital assets	\$130,213,111	
Less: accumulated depreciation	<u>8,580,228</u>	121,632,883
Assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.		
Deferred bond issuance costs	<u>280,534</u>	280,534
Some expenditures reported in the funds benefit a future period and are not reported as governmental activities of the current period.		
Prepaid expenses	<u>49,545</u>	49,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded in the governmental funds.		
Interest payable to bondholders	(423,634)	
Bonds payable	(94,805,000)	
Net deferred amount of premium	<u>(2,388,375)</u>	(97,617,009)
Net assets of governmental activities		<u>\$ 41,107,091</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2012**

	<b><u>Capital Project Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b>Revenues</b>			
Charges for services			
Civil court filing fees	\$ —	\$ 4,404,477	\$ 4,404,477
Recording fees	—	2,153,295	2,153,295
Rental income	9,450	—	9,450
Investment earnings	4,242	156,440	160,682
Intergovernmental	<u>618,289</u>	<u>29,238</u>	<u>647,527</u>
Total revenues	<u>631,981</u>	<u>6,743,450</u>	<u>7,375,431</u>
<b>Expenditures</b>			
Building expenses	181,376	—	181,376
Capital outlay	637,740	—	637,740
Bondholder interest	—	5,153,362	5,153,362
Bond principal repayment	<u>—</u>	<u>1,395,000</u>	<u>1,395,000</u>
Total expenditures	<u>819,116</u>	<u>6,548,362</u>	<u>7,367,478</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	4,193,693	645,968	4,839,661
Transfers out	<u>(645,968)</u>	<u>(4,193,693)</u>	<u>(4,839,661)</u>
Total other financing sources (uses)	<u>3,547,725</u>	<u>(3,547,725)</u>	<u>—</u>
Excess of revenues and other sources over expenditures and other uses	3,360,590	(3,352,637)	7,953
<b>Fund Balance</b>			
Beginning of year	<u>827,168</u>	<u>15,926,017</u>	<u>16,753,185</u>
End of year	<u>\$4,187,758</u>	<u>\$ 12,573,380</u>	<u>\$ 16,761,138</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2012**

Net change in fund balance - total governmental funds	\$	7,953
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the costs of those assets is allocated  
over their estimated useful lives as depreciation expense.

Capital outlay	\$ 637,740	
Depreciation expense	<u>(5,168,514)</u>	(4,530,774)

The issuance of long-term debt provides current financial resources  
to governmental funds, while the repayment of the principal of long-  
term debt consumes the current financial resources of government  
funds. Neither transaction, however, has any effect on net assets.  
Also, governmental funds report the effect of issuance costs, premiums,  
discounts, and similar items when debt is issued, whereas these  
amounts are deferred and amortized in the Statement of Activities.

Premium on debt issuance	82,595	
Amortization of bond issuance costs	(9,702)	
Principal payments	<u>1,395,000</u>	1,467,893

Some expenses reported in the Statement of Activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in governmental funds.

Accrued interest payable	<u>11,355</u>	11,355
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Expenses reported in the Statement of Activities in the current period  
are reported as expenditures of governmental funds in future periods.

	<u>49,545</u>	<u>49,545</u>
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Change in net assets of governmental activities		<u>\$ (2,994,028)</u>
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The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1-Summary of Significant Accounting Policies**

**A. Nature of Operations**

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

**B. Financial Reporting Entity**

The Commission was created pursuant to Section 992 of Title 13 of the Louisiana Revised Statutes of 1950, as amended (Commission Act). The Commission was created solely for the purpose of constructing and funding a new courthouse for use by the Nineteenth Judicial District Court (Court) and such other ancillary agencies as may be necessary. The judges of the Court, en banc, serve as the board of commissioners (Commission Board). The Commission Board elects a chairman and vice chairman, and the judicial administrator for the Court serves as secretary-treasurer of the Commission.

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

The Commission has entered into a cooperative endeavor agreement with the City-Parish, the terms of which are more fully described in Note 5. The agreement grants certain rights to, and imposes certain obligations upon, the respective parties and because of their significance, the Commission was determined to be a component unit of the City of Baton Rouge, Parish of East Baton Rouge, the financial reporting entity. The accompanying financial statements present information only on the Commission and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

**C. Basis of Presentation**

*Governmental-wide Financial Statements*

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

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1-Summary of Significant Accounting Policies (Continued)**

C. Basis of Presentation (Continued)

*Fund Financial Statements*

The financial transactions of the Commission are reported in two individual funds that are each accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

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

*Capital Project Fund* - The capital project fund accounts for the financial resources to be used for the construction, maintenance and funding of the courthouse for the Nineteenth Judicial District Court.

*Debt Service Fund* - The debt service fund accounts for the resources accumulated and payments made for principal and interest on the Louisiana Public Facilities Authority Revenue Bonds Series 2007 for the Nineteenth Judicial District Court Building Project.

*Measurement Focus and Basis of Accounting*

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

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

*Basis of Accounting* - The government-wide financial statements are presented using the accrual basis accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when "measurable and available." Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**D. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the Commission 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.

**E. Restricted Cash**

Certain proceeds of the Commission's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "courthouse construction receipts fund" accounts for the collection of additional costs of court and service charges imposed to finance the construction of the courthouse. The "debt service reserve fund" is required to be maintained in an amount necessary to pay the annual principal and interest on the bonds. The "capitalized interest fund" will be used to pay interest due on the bonds for approximately twelve months and is included in restricted cash and cash equivalents.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end, which had not been received by year-end. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. There were no accounts considered to be uncollectible at June 30, 2012. Major receivable balances for governmental activities include amounts due from the Clerk of Court.

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

**G. Revenues**

Substantially all government fund revenues are accrued. Revenues include civil filing and recording fees imposed to finance the construction of the courthouse, as well as investment earnings.

**H. Capital Assets**

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.



**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1-Summary of Significant Accounting Policies (Continued)**

H. Capital Assets (Continued)

Depreciation on all assets is computed on the straight-line basis over the following estimated useful lives.

Buildings and improvements	30 - 34 Years
Office equipment	5 Years
Computer equipment and software	5 Years
Furniture and fixtures	5 Years
Kitchen equipment	5 Years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

I. Expenditures

Expenditures are recognized when the related fund liability is incurred.

J. Interfund Transfers

Permanent allocations of resources between funds of the reporting entity are classified as interfund transfers.

K. Accounting Estimates

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

L. Fund Balances

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources, and then use unrestricted resources as they are needed.

Designated portions of fund balances indicate tentative future spending plans, which may be changed, and are subject to subsequent authorization before expenditures can be made.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1-Summary of Significant Accounting Policies (Continued)**

L. Fund Balances (Continued)

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- *Restricted fund balance* - amounts constricted to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation;
- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* - amounts intended by a government to be used for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* - amounts that are available for any purpose; positive amounts are reported only in the general fund.

**Note 2-Cash and Cash Equivalents**

At June 30, 2012, the Commission had cash (book balances) as follows:

Interest bearing demand deposits	\$ 4,193,693
Money market accounts	<u>12,196,234</u>
	<u>\$16,389,927</u>

These amounts are reflected in the following line descriptions on the statement of net assets:

Cash and cash equivalents	<u>\$ 4,043,693</u>
Restricted assets, cash and cash equivalents	<u>\$12,346,234</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 2-Cash and Cash Equivalents (Continued)**

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a deposit policy for custodial credit risk. As of June 30, 2012, the Commission's bank balances were fully insured and collateralized with securities held in the name of the Commission by the pledging financial institution's agent and, therefore, not exposed to custodial credit risk.

**Note 3-Receivables From Other Governments**

Intergovernmental receivables due at June 30, 2012, are as follows:

Debt Service Fund	
East Baton Rouge Clerk of Court	\$ <u>382,062</u>

**Note 4-Capital Assets**

Capital asset activity for the year ended June 30, 2012, is as follows:

	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2012</u>
Buildings & improvements	\$124,756,429	\$ 630,698	\$ —	\$125,387,127
Office equipment	324,001	7,042	—	331,043
Computer equipment & software	3,442,542	—	—	3,442,542
Furniture and fixtures	948,868	—	—	948,868
Kitchen equipment	103,531	—	—	103,531
Totals at historical cost	<u>129,575,371</u>	<u>637,740</u>	<u>—</u>	<u>130,213,111</u>
Less accumulated depreciation				
Buildings & improvements	2,719,486	4,100,253	—	6,819,739
Office equipment	43,200	66,209	—	109,409
Computer equipment & software	520,787	791,573	—	1,312,360
Furniture and fixtures	126,516	189,773	—	316,289
Kitchen equipment	1,725	20,706	—	22,431
Total accumulated depreciation	<u>3,411,714</u>	<u>5,168,514</u>	<u>—</u>	<u>8,580,228</u>
Capital assets, net	<u>\$126,163,657</u>	<u>\$(4,530,774)</u>	<u>\$ —</u>	<u>\$121,632,883</u>

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5-Long-Term Debt**

**Summary of Changes in Long-Term Debt**

Following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Adjustments</u> <u>and Deletions</u>	<u>Balance</u> <u>06/30/2012</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable	\$96,200,000	\$ —	\$1,395,000	\$94,805,000	\$1,465,000
Deferred premiums on bonds	<u>2,470,970</u>	<u>—</u>	<u>82,595</u>	<u>2,388,375</u>	<u>82,595</u>
Total long-term debt	<u>\$98,670,970</u>	<u>\$ —</u>	<u>\$1,477,595</u>	<u>\$97,193,375</u>	<u>\$1,547,595</u>

**Bonds Payable**

Under an Indenture of Trust dated June 1, 2007, the Louisiana Public Facilities Authority (Authority) issued \$100,000,000 in bonds to finance the planning, design, construction, furnishing and equipping of courthouse facilities (Facility) for the Nineteenth Judicial District Court.

The proceeds of the bonds were provided to the Commission under the terms of the Financing and Lease Agreement with Option to Purchase dated as of June 1, 2007, (Agreement), by and between the Authority and the Commission. The City-Parish leased to the Commission a portion of its land located in downtown Baton Rouge, Louisiana (Land), pursuant to a Ground Lease Agreement dated as of June 1, 2007, (Ground Lease), on which the Facility was constructed Pursuant to the Sublease Agreement dated as of June 1, 2007, (Sublease), the Commission leased the Land to the Authority and, pursuant to the Agreement, the Authority caused the Commission to construct on the Land the Facility, which is owned by the Authority and leased to the Commission.

Pursuant to the Cooperative Endeavor Agreement dated as of December 1, 2005, and effective as of February 1, 2006, as amended by and between the Commission, the City-Parish and the Authority, the City-Parish leased the Land to the Commission and the City-Parish operates and maintains the Facility.

The Series 2007 Louisiana Public Facilities Authority Revenue Bonds (Nineteenth Judicial District Court Building Project) dated June 1, 2007, were issued on June 27, 2007, in the amount of \$100,000,000. The bonds are payable over 34 years and bear interest from 4.50% to 5.50% as shown in the following schedule:

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5-Long-Term Debt (Continued)**

<b>Year Ending June 1,</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
Serial Bonds:		
2013	\$ 1,465,000	5.000%
2014	1,540,000	5.000%
2015	1,615,000	5.000%
2016	1,695,000	5.000%
2017	1,780,000	5.000%
2018	1,870,000	5.375%
2019	1,970,000	5.375%
2020	2,080,000	5.375%
2021	2,190,000	4.500%
2028	3,130,000	4.750%
Term Bonds:		
2027	15,710,000	5.375%
2032	14,220,000	5.375%
2041	45,540,000	5.500%

Under the indenture, the Commission is required to maintain certain reserves for the routine payment of interest and principal and for certain other contingencies outlined in the agreement. Additional information regarding the reserves is detailed below. The Commission is in compliance with all terms of the bond agreement including the maintenance of required reserves at June 30, 2012.

Serial bonds maturing June 1, 2018, and thereafter totaling \$11,240,000 are subject to optional redemption in whole on any date or in part on any interest payment date at a redemption price equal to 100% of the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2027, totaling \$15,710,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2022, and continuing through June 1, 2027 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2032, totaling \$14,220,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2029, and continuing through June 1, 2032 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2041, totaling \$45,540,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2033, and continuing through June 1, 2041 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5-Long-Term Debt (Continued)**

The following is a summary of long-term debt at June 30, 2012, and interest requirements to maturity:

	<b><u>Principal Payable</u></b>	<b><u>Interest to Maturity</u></b>	<b><u>Total</u></b>
Series 2007 Louisiana Public Facility Authority Revenue Bonds	<u>\$94,805,000</u>	<u>\$95,140,049</u>	<u>\$189,945,049</u>

The annual requirements to amortize outstanding debt principal and interest as of June 30, 2012 are as follows:

<b><u>Year Ending June 30,</u></b>	
2013	\$ 6,548,613
2014	6,550,363
2015	6,548,363
2016	6,547,613
2017 - 2021	32,748,202
2022 - 2026	32,747,770
2027 - 2031	32,749,075
2032 - 2036	32,755,000
2037 - 2041	<u>32,750,050</u>
	<u>\$189,945,049</u>

The bond indenture requires the following funds be used to account for the receipt and disbursement of monies collected and expended:

*Debt Service Fund*

The trustee will make deposits into the applicable account of the Debt Service Fund at the times and in the amounts required by the indenture as follows:

- a. Moneys on deposit in the interest account of the Debt Service Fund will be used solely to pay the interest on the bonds as it becomes due and payable, whether on an interest payment date, at maturity or upon acceleration. Moneys on deposit in the capitalized interest account of the debt service fund will be used solely to pay the interest on the bonds.
- b. Moneys on deposit in the principal account of the Debt Service Fund will be used solely to pay the principal of the bonds as it becomes due and payable, whether at maturity or upon acceleration in respect of principal of the bonds; and, if directed by the Commission, to effect the redemption of the bonds prior to their maturity in accordance with the redemption provisions of the indenture or with bond insurer consent the purchase of bonds prior to their maturity in the open market at a price not in excess of the principal amount thereof, premium, if any plus accrued interest on the bonds.

**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5-Long-Term Debt (Continued)**

*Debt Service Fund (Continued)*

- c. Whenever and to the extent that money on deposit in the interest account or the principal account is insufficient to pay interest and principal, whether at maturity, by acceleration or in satisfaction of the mandatory sinking fund redemption requirements, the trustee shall transfer money from the debt service reserve fund and from the project fund, if necessary, and will notify the bond insurer immediately.

*Project Fund*

The Project Fund will receive the immediate transfer of the balance of the proceeds of the bonds as provided in the indenture. Moneys in the project fund shall be applied to the payment of the costs of the new courthouse pursuant to the procedure established in the indenture, and are subject to a lien and charge in favor of the bondholders for the further security of such bondholders until paid out or transferred as provided in the indenture.

*Debt Service Reserve Fund*

Moneys on deposit in the debt service reserve fund will be maintained in an amount equal to the debt service reserve fund requirement, at least one half of which will be in cash or cash equivalents, and will be transferred to the interest account or the principal account of the debt service fund in such amount as is necessary to remedy any deficiency with respect to the bonds. Earnings on the cash or cash equivalents in the debt service reserve fund will be transferred to the fiscal agent in accordance with the provision of the indenture for deposit in the insurance account of the courthouse construction receipts fund. Whenever the amount in the debt service reserve fund, together with the amount in the debt service fund, is sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the debt service reserve fund shall be transferred to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms. If the balance of the debt service reserve fund is greater than the debt service reserve fund requirement, all amounts in excess of the debt service reserve fund requirement will be transferred to the project fund until such time as the construction of the courthouse is completed, and then by the trustee to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms.

*Revenue Fund*

Pursuant to the fiscal agency agreement, the fiscal agent of the Commission will maintain the courthouse construction receipts fund, to receive revenues for payment of rental. The Clerk of Court will receive the revenues daily and segregate such amounts in a special fund for such purpose. At least as often as every two weeks, the Clerk will transfer the revenues to the fiscal agent for immediate deposit into the courthouse construction receipts fund. Upon receipt of the revenues, the fiscal agent shall transfer such moneys in the courthouse construction receipts fund to the trustee for immediate deposit into the revenue fund. As directed by the indenture, all revenues in the Revenue Fund in excess of that required to fund fully the payment of rental, replenish the Debt Service Reserve Fund, pay when due administrative expenses and other amounts due under the agreement, will be transferred to the fiscal agent for deposit into the insurance account. Amounts in excess of those budgeted to pay amounts due to the City-Parish pursuant to the property insurance agreement may be used by the Commission for any lawful purpose except for the operation and maintenance of the courthouse, which is the obligation of the City-Parish.



**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6-Interfund Transactions**

The transfers in or out during the period ended June 30, 2012 are as follows:

	<b>Transfers <u>In</u></b>	<b>Transfers <u>Out</u></b>
<b>Transfers from:</b>		
Capital Project Fund	\$4,193,693	\$ 645,968
Debt Service Fund	<u>645,968</u>	<u>4,193,693</u>
	<u>\$4,839,661</u>	<u>\$4,839,661</u>

Transfers are substantially for the purposes outlined in the revenue bond indenture.

**Note 7-Capital Project Fund Project-to-Date**

Revenues, expenditures and other financing sources and uses from the beginning of the project through June 30, 2012, are as follows:

<b>Revenues</b>	
Charges for services	
Civil court filing fees and recording fees	\$ 36,232,388
Rental income	9,450
Inter-governmental transfers	6,010,827
Investment earnings	<u>9,514,623</u>
Total revenues	<u>51,767,288</u>
<b>Expenditures</b>	
Capital outlay	\$114,927,433
Debt issuance costs	<u>329,850</u>
Total expenditures	<u>115,257,283</u>
<b>Other Financing Sources (Uses)</b>	
Series 2007 LPFA Revenue Bonds issued	100,000,000
Premium on issuance of bonds	2,808,233
Transfers out	<u>(35,130,480)</u>
Total other financing sources	<u>67,677,753</u>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ 4,187,758</u>



**Nineteenth Judicial District Court Building Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 8-Concentrations of Credit Risk**

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish.

**Note 9-Subsequent Events**

Subsequent events were evaluated through April 7, 2013, which is the date the financial statements were available to be issued. As a result, the Commission noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
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April 7, 2013

**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 Commissioners of the  
Nineteenth Judicial District Court Building Commission  
Baton Rouge, Louisiana

We have audited the financial statements of Nineteenth Judicial District Court Building Commission, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated April 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Nineteenth Judicial District Court Building Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nineteenth Judicial District Court Building Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nineteenth Judicial District Court Building Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nineteenth Judicial District Court Building Commission'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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nineteenth Judicial District Court Building Commission's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and, which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

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

Yours truly,

*Hawthorn, Waymuth & Carroll, LLP*

**Nineteenth Judicial District Court Building Commission  
Schedule of Current Year Findings and Questioned Costs  
Year Ended June 30, 2012**

**Findings - Financial Statement Audit**

**NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**

*2012-01 Filing of Report with Louisiana Legislative Auditor*

Criteria:

LSA-RS24:513 (5)(a) requires the engagement to be completed within six months of the close of the entity's fiscal year.

Condition:

Financial statements were not timely filed with the LA Legislative Auditor.

Cause:

The Commission lacked adequate financial records that are essential for an audit.

Effect:

The Commission's financial statements were not timely filed.

Auditor's Recommendation:

The Commission should maintain accurate records and close its year-end sooner so the audit can be done before the six month deadline to remain in compliance, or an extension should be filed with the LA Legislative Auditor before December 31.

Management's Corrective Action Plan:

During the current fiscal period, management lost its Finance Director due to restructuring and is currently in the process of engaging an accounting firm to provide the necessary expertise to provide timely financial statements.

**Nineteenth Judicial District Court Building Commission  
Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2012**

**Findings - Financial Statement Audit**

None.