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Milford, Hilliard & Farrar
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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*CERTIFIED VALUATION ANALYST

June 28, 2002

Honorable Thomas P. Quirk
Honorable John S. Hood
Judges of City Court of Lake Charles
Lake Charles, Louisiana

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying general purpose financial statements of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City Court's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of December 31, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2002, on our consideration of the City Court of Lake Charles compliance and internal control over financial statements.

Milford, Hilliard & Farrar

City Court of Lake Charles, Louisiana, a Component Unit
of the City of Lake Charles, Louisiana

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2001

	<u>Governmental</u> <u>Fund Type</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	Total (Memorandum Only)
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Agency</u> <u>Fund</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	
ASSETS					
Cash (note A6)	\$ 169,449	\$ 237,263	\$ 319,518		\$ 726,230
Due from other funds		5,102			5,102
Equipment (notes A2 & A4)				\$ 266,733	266,733
TOTAL ASSETS	\$ <u>169,449</u>	\$ <u>242,365</u>	\$ <u>319,518</u>	\$ <u>266,733</u>	\$ <u>998,065</u>
LIABILITIES					
Due to other agencies	\$ 34,169				34,169
Due to other funds			5,102		5,102
Due to City of Lake Charles	9,562				9,562
Due to City Marshall	3,725				3,725
Fee collected for State Treasury Court	282				282
Due to Crime Stoppers	2,488				2,488
Due to Law Enforcement Agencies	567				567
Deposits held for disposition of civil cases, claims			314,416		314,416
TOTAL LIABILITIES	\$ <u>50,793</u>	-----	\$ <u>319,518</u>	-----	\$ <u>370,311</u>
EQUITY					
Investment in general fixed assets (notes A2 & A4)				\$ 266,733	\$ 266,733
Fund balance - unreserved and undesignated	<u>118,656</u>	<u>242,365</u>	-----	-----	<u>361,021</u>
TOTAL EQUITY	<u>118,656</u>	<u>242,365</u>	<u>-0-</u>	<u>266,733</u>	<u>627,754</u>
TOTAL LIABILITIES AND EQUITY	\$ <u>169,449</u>	\$ <u>242,365</u>	\$ <u>319,518</u>	\$ <u>266,733</u>	\$ <u>998,065</u>

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, a Component Unit
of the City of Lake Charles, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the year ended December 31, 2001

	Governmental Fund Types		
	General Fund	Special Revenue Fund	Total (Memorandum Only)
Revenues:			
Court costs and fines	\$ 993,365		\$ 993,365
Miscellaneous income	5,945	\$ 4,051	9,996
Total revenues	999,310	4,051	1,003,361
Other financing sources:			
Operating transfers in (note D)	7,449	98,958	106,407
Total revenues and other financing sources	1,006,759	103,009	1,109,768
Expenditures:			
Current			
Accounting and legal	25,800		25,800
Bank service charges	1,442		1,442
Agency Disbursements Transfers Out	798,370		798,370
Confinement Center Expenses	2,775		2,775
Dues and subscriptions	5,006		5,006
Equipment lease (note C)	3,164		3,164
Maintenance	7,981		7,981
Miscellaneous	1,327	22	1,349
Office expense	15,451	5,697	21,148
Payroll taxes	1,750		1,750
Rent	3,263		3,263
Retirement (note B)	11,500		11,500
Salaries	22,465	88,997	111,462
Telephone	3,703		3,703
Travel and seminars	21,458	115	21,573
Capital outlay (notes A2 and A4)	8,060		8,060
Total expenditures	933,515	94,831	1,028,346
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	73,244	8,178	81,422
Fund balances at beginning of year	43,359	234,188	277,547
Fund balances at end of year	\$ 116,603	\$ 242,366	\$ 358,969

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, a Component Unit
of the City of Lake Charles, Louisiana

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended December 31, 2001

	<u>Special Revenue Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Miscellaneous income	\$ 4,000	\$ 4,051	\$ 51
Other financing sources:			
Operating transfers in (note D)	<u>115,000</u>	<u>98,958</u>	(16,042)
Total revenues and other financing sources	119,000	103,009	(15,991)
Expenditures:			
Current			
Miscellaneous	500	22	(478)
Office expense	5,045	5,697	652
Salaries	87,000	88,997	1,997
Travel and seminars	3,000	115	(2,885)
Capital outlay (notes A2 and A4)	2,500	-0-	(2,500)
Total expenditures	<u>98,045</u>	<u>94,831</u>	(3,214)
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	20,955	8,178	(12,777)
Fund balance at beginning of year	<u>234,188</u>	<u>234,188</u>	-0-
Fund balance at end of year	\$ <u>255,143</u>	\$ <u>242,366</u>	\$ (12,777)

The accompanying notes are an integral part of this statement.

City Court of Lake Charles, Louisiana, A Component Unit
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies.

1. Financial Reporting Entity

This report includes all funds and account groups which are relevant to the operations of City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana. The City provides the facilities. However, the City Court is staffed by independently elected officials. As of March, 1978, the City assumed the responsibility for the General Fund.

2. Fund Accounting

The accounts of the City Court are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and groups of accounts are used by the City Court:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Continued

City Court of Lake Charles, Louisiana, A Component Unit
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fund Accounting - continued

Fiduciary Fund Types

Agency Fund

The Agency Fund is used to account for assets held by the City Court as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

General Fixed Assets Account Group

General Fixed Assets (GFA)

The General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

3. Budgets

The City of Lake Charles approves a budget for the City Court General Fund. This budget includes all expenditures made by the City of Lake Charles and the General Fund with no separation between the two governmental agencies. There is not a separate budget available for the General Fund of the City Court of Lake Charles.

Formal budgetary integration is employed during the year for the Special Revenue Fund and adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget amounts, shown in the financial statements, are the final authorized amounts as revised during the year.

4. Fixed Assets

Fixed assets are charged to the capital outlays expenditures account when purchased. Most of the fixed assets of the City Court of Lake Charles are included in the fixed asset records of the City of Lake Charles, although the Judges of the City Court have purchased a new computer system for the City Court and have decided to account for this equipment through City Court's General Fixed Assets Account Group.

Continued

City Court of Lake Charles, Louisiana, A Component Unit
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Fixed Assets - Continued

In 1995 the City Court of Lake Charles agreed with the City of Lake Charles and the Ward Three Marshall to operate a Correctional Center for the City of Lake Charles. Effective November 1, 1995 the \$10 court cost being collected by the City Court is remitted to the Ward Three City Marshall, on a monthly basis, and is being used to pay all the operating expenses, except utilities, of the City of Lake Charles Correctional Center. The fixed assets of the Correctional Center are included in the fixed asset records of the City of Lake Charles and the operating cost is an expense of the City Court of Lake Charles.

5. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. 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 be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Revenues from fines are not susceptible to accrual because generally they are not measurable until received in cash.

6. Cash

At December 31, 2001 the balances of the City Court's deposits for the General Fund, Special Revenue Fund, and Agency Fund were \$169,449, \$237,263 and \$319,518 respectively. All cash balances are fully secured by FDIC insurance and/or a pledge of assets by the bank.

City Court of Lake Charles, Louisiana, A Component Unit
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Total Column on Combined Statements - Overview

The total columns on the combined statements are captioned "Memorandum Only" indicating that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - RETIRED COMMITMENTS

Louisiana State Employees' Retirement System (LASERS)

Plan Description and Provisions. The City Court's Judges participate in the LASERS, a cost sharing multiple employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225) 922-0600.

Description of Funding Policy. The City Court Judges are required by State statute to contribute 11.5% of their annual covered salary and the Court is required to contribute at an actuarially determined rate. The current employer rate is 13.0% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Court's contributions to LASERS for the year ended December 31, 2001 was \$11,500 and was equal to the required contribution for the year.

City Court of Lake Charles, Louisiana, A Component Unit
of the City of Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2001

NOTE C - OPERATING LEASE

During the year, City Court of Lake Charles leased copiers with LA Office Systems and Best Copier Services. Monthly payments for the year ended December 31, 2001 totaled \$2,891.95.

NOTE D - OPERATING TRANSFERS

Louisiana Revised Statutes mandate fees to be assessed to each claim filed through the City Court Civil Section. The Judges are legally entitled to a portion of these fees. Louisiana Revised Statute 13:1874.1 limits the amount of salary legally of a City Court Judge to that not exceeding a District Court Judge of the Judicial District in which the City Court is located. Because the fees assessed amount to greater than the judges' salary expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.

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

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*CERTIFIED VALUATION ANALYST

June 28, 2002

Honorable Thomas P. Quirk
Honorable John S. Hood
Judges of City Court of Lake Charles
Lake Charles, Louisiana

We have audited the general purpose financial statements of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2001, and have issued our report thereon dated June 28, 2002.

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

Compliance

As part of obtaining reasonable assurance about whether City Court of Lake Charles, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Honorable Thomas P. Quirk

Honorable John S. Hood

June 28, 2002

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Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City Court of Lake Charles, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of internal control structure reportable conditions.

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

This report is intended solely for the information and use of management, City of Lake Charles, and the State of Louisiana Legislative Auditor and should not be used by anyone other than these specified parties.

Millford, Hilliard & Farrar

City Court of Lake Charles, Louisiana, a Component Unit
of the City of Lake Charles, Louisiana

SCHEDULE OF COMPLIANCE REPORTABLE CONDITIONS

For the year ended December 31, 2001

Material Weaknesses

Inadequate Segregation of Duties

Condition. The City Court is not large enough to permit an adequate segregation of employee duties for effective internal control over the receipts, purchasing and reporting functions.

Criteria. The processing of receipts, purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting functions.

Effect. The effect is such that errors, either intentional or unintentional could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause. The limited number of employees of the City Court did not permit an adequate segregation of duties.

Recommendation. Due to the size of the City Court's operations it does not have sufficient staff to establish adequate segregation of duties. Management should consider if the cost associated with reducing this deficiency in internal control can be justified.

Auditee Response. Although City Court does not have complete segregation of incompatible duties, management has determined that the cost necessary to achieve this segregation is not justifiable at this time.

Comments on Resolution of Prior Audit Findings

Matters relating to the inadequate segregation of duties reported above were reported in the prior year's audit.