

**City Court of Monroe
Monroe, Louisiana**

**Basic Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
April 30, 2006
With Supplemental Information .**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-8-06

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

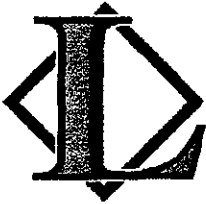
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**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

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LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

Independent Auditors' Report

City Court of Monroe
Monroe, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Monroe, a component unit of the City of Monroe, as of and for the year ended April 30, 2006, which collectively comprise the City Court of Monroe's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City Court of Monroe's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with U.S. 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 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 opinions.

The Court has not been able to reconcile the amount of the advance deposits for the cases reported in the Judicial Fund's (Agency Fund) case management software system to the general ledger of the Court. The assets and liabilities of the Judicial Fund represent a significant portion of the assets and liabilities reported in the statement of fiduciary net assets.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position of the aggregate remaining fund information of the City Court of Monroe as of April 30, 2006.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the financial position of the aggregate remaining fund information, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the

Court as of April 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2006, on our consideration of the City Court of Monroe'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 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 and the budgetary comparison information on page 21 (Schedule 1) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements that collectively comprise the City Court of Monroe's basic financial statements. The financial information listed as Other Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City Court of Monroe. The information in such schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, except for the effect of such adjustments, if any, as might be required had we been able to satisfy ourselves as to the financial activities of the Judicial Fund (Agency Fund) as discussed in the second preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Litt & Associates, LLC

Monroe, Louisiana

October 11, 2006

Management's Discussion and Analysis

**CITY COURT OF MONROE
MONROE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

Our discussion and analysis of City of Monroe City Court's financial performance provides an overview of the City Court's financial activities as of and for the fiscal year ended April 30, 2006. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City Court's net assets increased by \$146,186 or 23%

The City Court's total program revenues were \$332,641 in 2006 compared to \$248,115 in 2005.

During the year ended April 30, 2006, the City Court had total expenses, excluding depreciation of \$1,318,923.

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 and 9) provide information about the activities of the City Court as a whole. Fund financial statements start on page 8. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as a trustee or agent for the benefit of those outside of the City Court. The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Monroe for office space, courtrooms, and related utility costs, as well as substantially all funding of salary and related employee benefit costs. Because the City Court is fiscally dependent on the City of Monroe, the City Court was determined to be a component unit of the City of Monroe. The accompanying financial statements present information only on the funds maintained by the City Court.

Reporting the Funds Maintained by the City Court as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the Court as a whole begins on page 5. One of the most important questions asked about the City Court's finances is "is the City Court as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the City Court as a whole and about its activities in a way that helps answer this question. 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. Accrual 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 City Court's *net assets* and changes in them. You can think of the City Court's net assets – the difference between assets and liabilities – as one way to measure the City Court's financial health, or *financial position*. Over time, *increases* or *decreases* in the City Court's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the funds maintained by the City Court as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the City Court are reported here which consists primarily of certain materials and supplies, travel, repairs and maintenance and other program services. These represent expenses not paid out of the City of Monroe budget for judicial expenses. Fines, fees for services and interest income finance most of these activities.

Reporting the Most Significant Funds Maintained by the City Court

Our analysis of the major funds maintained by the City Court begins on page 6. The fund financial statements begin on page 8 and provide detailed information about the most significant funds maintained by the City Court. The City Court's governmental funds use the following accounting approaches.

Governmental funds – All of the City Court's expenses are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City Court's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City Court expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation disclosed in the notes to the financial statements.

The City Court as Trustee

The City Court is the trustee, or fiduciary, for its civil division and traffic violation bureau funds. All of the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 10. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE FUNDS MAINTAINED BY THE CITY COURT AS A WHOLE

The City Court's total net assets changed from a year ago, increasing from \$625,088 to \$771,274. Our analysis below will focus on key elements of the total governmental funds for the years ended April 30, 2006 and 2005.

Table 1
Net Assets

	Governmental Activities	
	2006	2005
Current assets	\$ 604,036	\$ 576,913
Capital assets, net	187,029	48,604
Total assets	<u>791,065</u>	<u>625,517</u>
Current liabilities	19,791	429
	<u>19,791</u>	<u>429</u>
Net assets:		
Investment in capital assets, net of debt	187,029	48,604
Unrestricted	584,245	576,484
Total net assets	<u>\$ 771,274</u>	<u>\$ 625,088</u>

Net assets of the funds maintained by the City Court's governmental activities increased by \$146,186 or 23%. Unrestricted net assets, the part of net assets that can be used to finance City Court expenses without constraints or other legal requirements increased by \$7,761 from \$576,484 at April 30, 2005, to \$584,245 at April 30, 2006.

Table 2
Change in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for services, fines, fees, & forfeitures	\$ 332,641	\$ 248,115
Interest and other income	34,765	18,252
Intergovernmental - City of Monroe	1,107,911	1,105,450
Total revenues	<u>1,475,317</u>	<u>1,371,817</u>
Expenses:		
General governmental - judicial	<u>1,329,131</u>	<u>1,322,310</u>
Increase in net assets	<u>\$ 146,186</u>	<u>\$ 49,507</u>

For the funds maintained by the City Court, total revenues increased by \$105,572 (8%) from total revenues in 2005 of \$1,371,817 to total revenues of \$1,475,317 in 2006. For the funds maintained by the City Court, program revenues increased by \$84,526 (34%) from program revenue in 2005 of \$248,115 to program revenue of \$332,641 in 2006. The total expenses of the City Court increased by \$6,821 (1%). The portion of the expenses paid by the City Court out of its funds increased by \$101,039 (38%) from \$266,367 to \$367,406.

FUNDS MAINTAINED BY THE CITY COURT

For the funds maintained by the City Court, the governmental funds (as presented on page 8) reported a combined fund balance of \$584,245, which is an increase of \$7,761 from last year. Program revenues and the amount of funding provided by the City of Monroe increased by \$84,526 and \$2,461, respectively, from the prior year. Expenditures paid out of the City Court's own funds increased by \$152,511 from \$207,134 in 2005 to \$359,645 in 2006.

Budgetary Highlights

For the funds maintained by the City Court, a formal budget in accordance with state law is adopted and amended as deemed to be necessary throughout the year. The budget does not include the amounts budgeted by the City of Monroe for the City Court. Total actual revenues exceeded total budgeted revenues by \$45,906. Significant favorable variances between actual and budgeted revenues occurred in court costs and civil fees, probation fees, and other income. The most significant unfavorable variances occurred in interest income and bond forfeitures. Total budgeted expenditures exceeded total actual expenditures by \$81,963. The most notable favorable variances occurred in capital outlay, personal services, and travel and other. There were no significant unfavorable expenditure variances.

CAPITAL ASSETS

At April 30, 2006, the City Court had invested \$486,165 in capital assets from those funds maintained by the City Court.

Table 3
Capital Assets at Year End

	Governmental Activities <u>2006</u>
Computer equipment	\$ 305,722
Equipment	110,063
Improvements	11,683
Furniture	<u>59,319</u>
Total	<u>\$ 486,787</u>

This year's major additions included:

Computer equipment and software	\$ 129,905
Improvements	11,683
Furniture	<u>7,045</u>
Total	<u>\$ 148,633</u>

More detailed information about the capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City Court's elected judges and appointed officials consider many factors when setting the fiscal year 2007 budget. The amount available for appropriation in governmental funds is expected to approximate \$300,000 in 2007, and budgeted expenditures are estimated to be \$408,844. The resultant decrease of \$108,844 in fund balance is attributable primarily to the budgeted payment of \$125,000 to the City of Monroe for prisoner housing.

CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Citizens and Taxpayers with a general overview of the finances for those funds maintained by the City Court and to show the City Court's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe City Court, Administrative Judges' office at 600 Calypso Street, Monroe, Louisiana 71201.

Judge Scott Leehy
Administrative Judge

Basic Financial Statements

**CITY COURT OF MONROE
MONROE, LOUISIANA
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
APRIL 30, 2006**

	General Fund	Adjustments/ Reclassifications - Note 1	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 601,091	\$ -	\$ 601,091
Receivables	25	2,920	2,945
Due from fiduciary funds	2,708	(2,708)	-
Due from other governments	212	(212)	-
Capital assets, net of accumulated depreciation	-	187,029	187,029
Total Assets	<u>\$ 604,036</u>	<u>187,029</u>	<u>791,065</u>
LIABILITIES			
Accounts payable	\$ 19,214	577	19,791
Due to fiduciary fund	577	(577)	-
Total Liabilities	<u>19,791</u>	<u>-</u>	<u>19,791</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved, reported in:			
General Fund	584,245	(584,245)	-
Total Fund Balance	<u>584,245</u>	<u>(584,245)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 604,036</u>		
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		187,029	187,029
Unrestricted		584,245	584,245
Total Net Assets		<u>\$ 771,274</u>	<u>\$ 771,274</u>

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES/
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2006**

	General Fund	Adjustments/ Reclassifications - Note 1	Statement of Activities
EXPENDITURES/EXPENSES			
Judiciary - Current:			
Personal services & benefits	\$ 1,008,108	\$ -	\$ 1,008,108
Operating services	251,784	-	251,784
Materials and supplies	28,907	-	28,907
Travel and other	30,124	-	30,124
Depreciation	-	10,208	10,208
Capital Outlay	148,633	(148,633)	-
Total Expenditures/Expenses	<u>1,467,556</u>	<u>(138,425)</u>	<u>1,329,131</u>
PROGRAM REVENUES			
Fees, charges, and court costs:			
Court costs	207,342	-	207,342
Civil fees	23,160	-	23,160
Probation fees	70,600	-	70,600
Reinstatement fees	3,238	-	3,238
Bond forfeitures	14,713	-	14,713
Other charges for services	13,588	-	13,588
Program Revenues	<u>332,641</u>	<u>-</u>	<u>332,641</u>
Net Program Expense			<u>(996,490)</u>
GENERAL REVENUES			
Intergovernmental - City of Monroe	1,107,911	-	1,107,911
Interest income	18,401	-	18,401
Other income	16,364	-	16,364
Total General Revenues	<u>1,142,676</u>	<u>-</u>	<u>1,142,676</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,761	(7,761)	-
CHANGE IN NET ASSETS		146,186	146,186
FUND BALANCE/NET ASSETS:			
Beginning of the Year	<u>576,484</u>		<u>625,088</u>
End of Year	<u>\$ 584,245</u>	<u>\$ -</u>	<u>\$ 771,274</u>

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
APRIL 30, 2006**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 858,115
Accounts receivable	<u>714</u>
 Total Assets	 <u><u>\$ 858,829</u></u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 32,963
Unsettled deposits held for others	<u>825,866</u>
 Total Liabilities	 <u><u>\$ 858,829</u></u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

INTRODUCTION

As provided for by Chapter 7 of Title 13 of the Louisiana Revised Statutes, the City Court of Monroe (the "Court") has jurisdiction in all civil matters in the City of Monroe (the "City") including all of Wards Three and Ten of Ouachita Parish. The criminal jurisdiction of the Court is limited to offenses committed within Wards Three and Ten of Ouachita Parish and violations of City ordinances that are not required to be tried by jury. The City judges are elected for six-year terms. The current term expires on December 31, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the City Court of Monroe have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (the "Statement"), which was unanimously approved in June 1999 by the Governmental Accounting Standards Board.

B. REPORTING ENTITY

For reporting purposes, the City of Monroe, Louisiana (the "City") serves as the financial reporting entity for the City. The financial reporting entity consists of (a) the primary government (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial responsibility. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the City to impose its will on that organization and/or

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Court is fiscally dependent on the City of Monroe for office space, related utility costs, insurance and substantially all salaries and related employee benefit costs. Because the Court is fiscally dependent on the City, the Court was determined to be a component unit of the City of Monroe, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City of Monroe, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

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

Governmental Funds

Governmental funds account for all or most of the Court's general activities. These funds focus 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, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the City Court of Monroe. The following are the Court's governmental funds:

General Fund

The General Fund is the primary operating fund of the Court, and it accounts for all financial resources, except those required to be accounted for in other funds. The General

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Court's policies.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The only funds accounted for in this category by the Court are agency funds. The Court maintains three agency funds: the Judicial Advance Fund, the Special Cost Fund, and the Bond Escrow Fund. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Fund Financial Statements (FFS)

The amounts reflected in the General Fund of Statements A and B 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 balances 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 the Court's operations.

The amounts reflected in the General Fund of Statements A and B 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 Court considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Court costs, civil fees, bond forfeitures, and reinstatement fees are recorded in the year in which they are earned.

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

Interest income on bank deposits is recorded when the interest has been earned and the amount can be determined.

Substantially all other revenues are recognized when received by the Court.

Based on the above criteria, court costs, civil fees, bond forfeitures, and reinstatement fees have been treated as susceptible to accrual.

Expenditures

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

Government-Wide Financial Statements (GWFS)

The column labeled Statement of Net Assets (Statement A) and the column labeled Statement of Activities (Statement B) display information about the Court as a whole. These statements include all the financial activities of the Court. Information contained in these columns 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 nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the column labeled Statement of Activities (Statement B) are derived directly from the City Court of Monroe's users as a fee for services; program revenues reduce the cost of the function to be financed from the Court's general revenues.

Reconciliation

The reconciliation of the items reflected in the funds columns to the Statement of Activities (Statement B) and Statement of Net Assets (Statement A) are as follows:

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

Statement B	
Capitalization of Capital Assets	\$ 148,633
Recording of Depreciation Expense	<u>(10,208)</u>
Net Effect of Changes	<u>\$ 138,425</u>
<hr style="border: 0.5px solid black;"/>	
Statement A	
Recording of Net Capital Assets	<u>\$ 187,029</u>
Net Effect of Changes	<u>\$ 187,029</u>

E. CAPITAL ASSETS

Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Court maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount 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, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Computer Equipment and Software	3 – 7 years
Equipment	5 – 10 years
Furniture and Fixtures	5 – 10 years

F. ESTIMATES

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

CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006

G. RISK MANAGEMENT

The Court is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, and errors and omissions. The Court maintains professional liability coverage on the Clerk to manage its exposure to fraud, illegal acts and errors and omissions. The City of Monroe provides the remainder of insurance coverage. No claims were paid on any of the policies during the past three years that exceeded the policies' coverage amounts.

2. DEPOSITS AND CUSTODIAL CREDIT RISKS

Under state law, the Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state, or the laws of the United States. The Court may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. At April 30, 2006, the Court had cash (book balances) of \$1,459,206 of which \$1,458,706 was in bank accounts and \$500 in petty cash. These amounts are stated at cost, which approximates market.

Under state law, these deposits, or the resulting bank balances, must be collateralized by Federal deposit insurance or the pledge of securities. 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. Also, 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 Court that the fiscal agent bank has failed to pay deposited funds upon demand.

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. As of April 30, 2006, the Court's bank balance totaled \$1,608,951, none of which is exposed to custodial credit risk.

3. RECEIVABLES

The receivables, as reported in the Statement of Net Assets at April 30, 2006, are summarized as follows:

<u>Class of Receivable</u>	<u>General Fund</u>
Fees, Charges, and Commissions - Due from Fiduciary Funds	\$ 2,708
Due from other governmental entities	212

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

Other	<u>25</u>
Total	<u>\$ 2,945</u>

The Court utilizes the direct write-off method for recording uncollectible accounts receivable. The use of this method produces results that are not materially different from utilization of the allowance method of recording bad debts.

4. DUE FROM/TO OTHER FUNDS

Individual balances due from/to other funds as reported in the fund financial statements at April 30, 2006, are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,708	\$ 577
Special Cost Clearing Fund	577	
Judicial Fund		2,708
Totals	\$ 3,285	\$ 3,285

The balance due to the general fund resulted from fees, charges, and other court costs collected by the agency funds on behalf of the general fund.

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended April 30, 2006, is as follows:

<u>Governmental Activities</u>	<u>April 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2006</u>
Computer equipment & software	\$ 175,817	\$ 129,905	\$ -	\$ 305,722
Equipment	110,063	-	-	110,063
Furniture	52,274	7,045	-	59,319
Improvements	-	11,683	-	11,683
Total	<u>338,154</u>	<u>148,633</u>	<u>-</u>	<u>486,787</u>
Less accumulated depreciation:				
Computer equipment & software	161,960	7,124	-	169,084
Equipment	75,465	2,873	-	78,338
Furniture	52,124	212	-	52,336
Improvements	-	-	-	-
Total	<u>289,549</u>	<u>10,209</u>	<u>-</u>	<u>299,758</u>
Capital Assets, Net	<u>\$ 48,605</u>	<u>\$ 138,424</u>	<u>\$ -</u>	<u>\$ 187,029</u>

The Court has fixed assets totaling \$150,912 that are no longer being utilized by the Court and are deemed to be idle property. These assets are fully depreciated as of April 30, 2006.

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

**6. CHANGES IN AGENCY FUNDS -
UNSETTLED DEPOSITS HELD FOR OTHERS**

A summary of changes in agency fund deposits due others for the year ended April 30, 2006, is as follows:

Balance at April 30, 2005	\$ 790,703
Additions	1,960,506
Reductions	<u>1,925,343</u>
Balance at April 30, 2006	<u>\$ 825,866</u>

7. LEASES

The Court leases various office equipment under operating leases. The Court also leases equipment for which the lease payments are paid by the City of Monroe. The total lease expense under the leasing arrangements totaled \$7,685 for the year ended April 30, 2006. The future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2007	\$ 7,344
2008	7,344
2009	<u>5,508</u>
Future minimum lease payments	<u>\$ 20,196</u>

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2006**

8. ON-BEHALF PAYMENTS

The City of Monroe provides a substantial amount of fiscal support to the Court for its operations. The City of Monroe made on-behalf payments of \$1,107,911 for the Court for the year ended April 30, 2006, as follows:

Salaries	\$ 744,978
Fringe benefits	254,099
Operating expenses	<u>108,834</u>
Total	<u><u>\$ 1,107,911</u></u>

The City of Monroe makes contributions to the Municipal Employees' Retirement System of Louisiana on behalf of the employees of the City Court of Monroe.

Required Supplemental Information

**CITY COURT OF MONROE
MONROE, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Program revenues:				
Court costs and civil fees	\$ 170,500	\$ 197,000	230,502	\$ 33,502
Probation fees	46,000	62,000	70,600	8,600
Reinstatement fees	4,000	4,000	3,238	(762)
Bond forfeitures	15,000	20,000	14,713	(5,287)
Other charges for services	-	3,500	13,588	10,088
General revenues:				
Interest income	15,000	35,000	18,401	(16,599)
Other income	-	-	16,364	16,364
Total revenues	\$ 250,500	\$ 321,500	\$ 367,406	\$ 45,906
EXPENDITURES				
Judiciary - Current:				
Personal services	25,000	25,000	9,032	(15,968)
Operating services	156,200	167,000	168,570	1,570
Materials and supplies	1,500	5,000	3,286	(1,714)
Travel and other	45,000	43,500	30,124	(13,376)
Capital Outlay	10,800	200,000	148,633	(51,367)
Total expenditures	238,500	440,500	359,645	(80,855)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,000	(119,000)	7,761	126,761
FUND BALANCE AT BEGINNING OF YEAR	615,581	615,581	576,484	(39,097)
FUND BALANCE AT END OF YEAR	\$ 627,581	\$ 496,581	\$ 584,245	\$ 87,664

See accompanying notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP) Basis and Actual.

**CITY COURT OF MONROE
Monroe, Louisiana**

**Notes to Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget (GAAP)
Basis and Actual
For the Year Ended April 30, 2006**

NOTE 1 – BUDGETARY POLICIES

The proposed budget for the General Fund is prepared on the modified accrual basis of accounting. The budget is then legally adopted by the judges and amended during the year, as necessary. The budget is established and controlled by the judges at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The budget adopted by the Court does not include the expenditures budgeted annually for the Court of the City of Monroe.

Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying schedule include the original adopted budget amount and the final amended budget.

Other Supplemental Information

**CITY COURT OF MONROE
MONROE, LOUISIANA
FUDICIARY FUND TYPE - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES
IN UNSETTLED DEPOSITS
FOR THE YEAR ENDED APRIL 30, 2006**

	JUDICIAL FUND	SPECIAL COST	BOND ESCROW FUND	TOTAL
Unsettled deposits held for others, May 1, 2005	\$ 638,548	\$ 133	\$ 152,022	\$ 790,703
Additions:				
Advance deposits	353,717			353,717
Fines and court costs		1,536,189		1,536,189
Appearance bonds			70,600	70,600
Total Additions	353,717	1,536,189	70,600	1,960,506
Total	992,265	1,536,322	222,622	2,751,209
Reductions:				
Transfers to General Fund:				
Special civil cost	23,160			23,160
Court costs -- traffic and criminal		207,342		207,342
Probation fees		70,600		70,600
Transfers to City of Monroe:				-
Clerk fees	113,237			113,237
Court costs:				-
Equipment Fund		4,100		4,100
Fines and forfeitures		621,954		621,954
Jail		73,441		73,441
Appearance bond refunds			56,310	56,310
Attorney's fees	630			630
Indigent Defender Board		234,948		234,948
Judges' Supplemental Compensation Fund	40,700			40,700
Louisiana Commission on Law Enforcement		22,209		22,209
Louisiana Rehabilitation Services:				-
Head and Spinal Cord Injury		4,240		4,240
Louisiana State Treasurer		14,688		14,688
Marshal's fees	51,219	223,000		274,219
North Louisiana Criminalistic Laboratory		32,890		32,890
Secretary of State	2,500			2,500
Settlements to litigants	69,934			69,934
Sheriff's fees	14,856			14,856
Other reductions	16,573	26,812		43,385
Total Reductions	332,809	1,536,224	56,310	1,925,343
Unsettled deposits held for others, April 30, 2006	\$ 659,456	\$ 98	\$ 166,312	\$ 825,866

**Independent Auditors' Report Required
by *Government Auditing Standards***

The following independent Auditors' report on compliance with laws and regulations and internal control are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES F. MARCHBANKS, JR., CPA

**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***

City Court of Monroe
Monroe, Louisiana

We have audited the financial statements of the City Court of Monroe as of and for the year ended April 30, 2006, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Court of Monroe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable conditions. 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 the City Court of Monroe's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 2006-01.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court of Monroe'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Little & Associates, LLC

Monroe, Louisiana

October 11, 2006

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA**

**Schedule of Findings and Responses
As of and For the Year Ended April 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. Except for a disclaimer of opinion on the Fiduciary Fund Type, the Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the City Court of Monroe.
2. No instances of noncompliance material to the financial statements of the City Court of Monroe were disclosed during the audit.
3. One reportable condition relating to the audit of the financial statements is reported in the 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*. The reportable condition is considered to be a material weakness.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2006-01 State of Accounting and Reporting for Judicial Fund

Condition: The Court maintains its Judicial Fund general ledger using a software system separate from the Court's case management system, which is utilized to record the transactions of the individual civil suits filed with the Court. The Court has been unable to reconcile the Judicial Fund's advance deposit balance per the case management system to the related advance deposit balance (liability) in the general ledger system. The advance deposit balance in the general ledger system significantly exceeds the total of the advance deposits in the case management system, which has resulted in funds being held by the Court which are not identifiable by specific cases (referred to as "unidentifiable funds").

Criteria: The amount of advance deposits per the case management system should be reconcilable to the amount of advance deposits per the general ledger system.

Cause: This finding originated several years ago and was a result of poor internal controls over judicial advances, a faulty conversion of judicial advance balances to the current case management system, and the use of separate software systems for accounting for judicial advances and for the financial reporting of judicial advances. While the Court has improved and has strengthened its internal controls over the processing of judicial advances, the faulty conversion and the continuing use of separate software

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA**

**Schedule of Findings and Responses
As of and For the Year Ended April 30, 2006**

systems, as referred to above, are the primary causes for this finding repeating from year to year.

Effect: This fund is accountable for approximately \$300,000 - \$400,000 in advance deposits transactions each year. The absence of the ability to perform monthly reconciliations of the case management software to the general ledger increases the risk of misappropriation of assets, and/or the risk that errors or fraud could continue to occur within the system and not be detected in a timely manner.

Recommendation: Management of the Court has produced a schedule of all advance deposit balances from the current case management system. In order to determine the correct amount of each advance deposit, Management has begun manually reconciling the advance deposits per the schedule to the suit files. In addition, the Court currently is installing a new case management software system that will integrate the advance deposit accounting and reporting functions. We recommend that Management continue to reconcile the advance deposits per the current case management system schedule to the suit files. Also, we recommend that the Court establish written procedures to ensure the proper conversion of the existing cases in the current case management system to the new system. Furthermore, after the Court has reconciled the advance deposits per the current case management system to the suit files and has determined the appropriate amount of the advance deposits, the balance of any unidentifiable funds should be transferred to the City of Monroe in accordance with Louisiana Attorney General Opinion Number 02-0380.

The Court's View on the Finding and Corrective Action Plan: The Court agrees with auditors' finding and recommendation. Within the past year, the software provider for the current case management system was able to produce a schedule of all civil suit balances from the current case management system. The Court is near the completion of the reconciliation of the advance deposit balances per the case management system to the civil suits' files. Once the schedule and the civil suits have been reconciled, the Court will remit any unidentified funds to the City of Monroe in accordance with Louisiana Attorney General Opinion Number 02-0380. In addition, the Court has acquired a new case management software system that is in the final stages of installation. The system will integrate the accounting and reporting functions for advance deposit transactions thereby significantly reducing the ability of the Court to accumulate unidentifiable deposits. Prior to utilizing the new system, the Court will establish written procedures for the transfer of the advance deposits from the current case management system to the new system.

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA**

**Summary Schedule of Prior Audit Findings
As of and For the Year Ended April 30, 2006**

In connection with our audit of the City Court of Monroe as of and for the year ended April 30, 2006, we have also reviewed the status of prior year findings. The following presents the status of those findings:

Independent Auditors' Report on Compliance and Internal Control

05-01 State of Accounting and Reporting for Judicial Fund

Finding: The Court has been unable to reconcile the individual suit balances in the Judicial Fund (Civil) to the Court's general ledger accounting system, and the Court has unidentified deposits in its Judicial Fund bank account.

Status: Partially resolved.